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REPORT OF THE COMMISSIONER-GENERAL OF THE UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

Addendum

Financial situation of UNRWA in 1996 and 1997 and budget estimates for 1998-1999

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I. EXECUTIVE SUMMARY

1. The present addendum to the report of the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) contains UNRWA's budget for the biennium 1998-1999 structured on the basis of the Agency's programmes. After adoption by the General Assembly, the biennial budget will be issued as the operational budget of the Agency for the allocation of funds in 1998-1999.

2. UNRWA's activities focus on support to more than 3.4 million Palestine refugees in Jordan, Lebanon, the Syrian Arab Republic, the West Bank and the Gaza Strip. UNRWA employs about 22,000 staff, almost all of whom are area staff, whose main functions are in the areas of education, health, and relief and social services. UNRWA is an agency that implements and executes its own operations and projects.

3. The activities of UNRWA are almost exclusively funded by voluntary contributions. Direct assistance to the Palestine refugees is also provided by host Governments in the area of operations. The Palestine refugees themselves also share in the cost, either through co-payments, volunteer labour or other community inputs.

4. The present report deals mainly with the regular budget, called the General Fund, of which the substantial extrabudgetary part of the Agency's activities does not form a part.

5. UNRWA receives not only cash contributions but also donations-in-kind towards its regular programmes.

6. The 1998-1999 budget level is generally similar to the previous biennial budget. The Agency's total General Fund budget for the 1998-1999 biennium amounts to $695.7 million ($636.2 million in cash and $59.5 million in kind) as compared to the 1996-1997 approved biennial budget of $692.0 million. In practical terms, this represents a zero growth budget despite inflation and increasing demand on the Agency's services caused by the natural growth of the refugee population.

7. Figure 1 shows the Agency's 1998-1999 budget estimates by programme.

8. Figure 2 shows the Agency's 1998-1999 budget estimates by category of expenditure.

9. Staff costs make up the largest part (66.4 per cent) of UNRWA's operational budget. It should be noted that the majority of staff directly deliver programmes - for example, doctors, nurses, teachers and sanitation workers.

10. Figure 3 shows the Agency's 1998-1999 budget estimates by field.

11. The Agency includes in its 1998-1999 biennial budget a provision of $24.2 million for termination indemnities for 22,000 area staff. The provision was requested by the Agency's major donors and host Governments in 1995.

12. Separate from the operations covered by UNRWA's regular budget, the Agency continues to execute the Peace Implementation Programme (PIP). The Agency has received contributions and pledges in the amount of $215 million Agency-wide for PIP, of which $95 million in value is expected to be implemented in 1998-1999.

Figure 1. 1998-1999 Budget by programme

(Thousands of US dollars)

Education	325,287
Health	126,391
Relief and Social Services	86,206
Operational Services	45,501
Common Services	88,153
TOTAL	**671,538**
Termination Indemnities	24,200
Grand Total	**695,738**

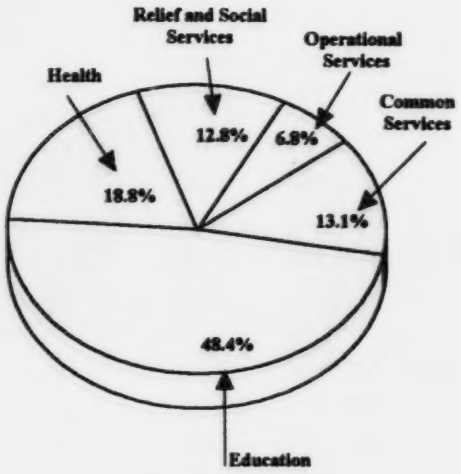


Figure 2. 1998-1999 Budget by category of expenditure

(Thousands of US dollars)

International staff costs	33,207
Local staff costs	417,104
Services	54,914
Reserves	18,209
Supplies purchased	93,512
Construction & equipment	16,633
Premises	5,506
Grants & subsidies	39,291
Internal adjustments	(6838)
TOTAL	**671,538**
Termination Indemnities	24,200
Grand Total	**695,738**

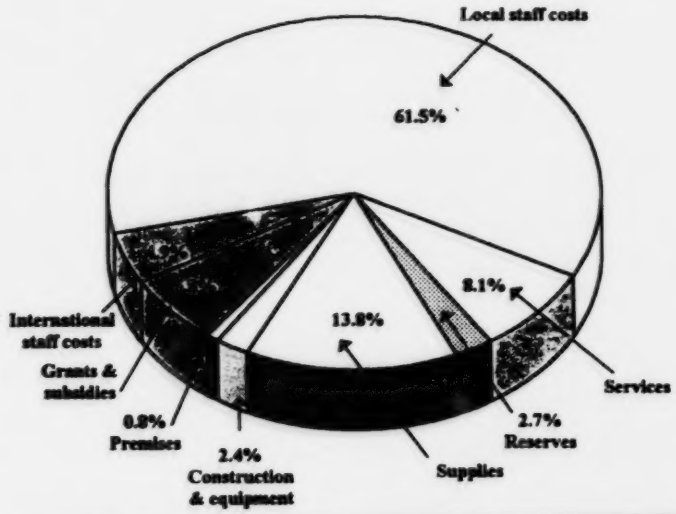
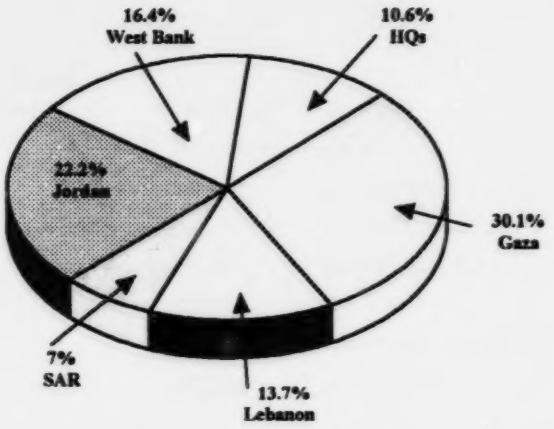


Figure 3. 1998-1999 Budget by field

(Thousands of US dollars)

Gaza	202,357
Lebanon	91,824
SAR	47,140
Jordan	148,849
West Bank	110,124
HQs (Gaza & Amman)	71,244
TOTAL	**671,538**
Termination Indemnities	24,200
Grand Total	**695,738**



13. The Agency has also completed, with specific donor funds, the construction of a 232-bed general hospital in the Gaza Strip (the European Gaza Hospital), at a total cost of $56.8 million.

14. Two major concerns for the Agency are whether total contributions received will cover the budgeted expenditures, and whether the cash-flow situation will improve.

1998 - 1999 PROPOSED GENERAL FUND BUDGET

(Thousands of United States Dollars)

PROGRAMME	GAZA			LEBANON			SAR			JORDAN			WEST BANK			HQs			TOTAL		
	1998 Uni	1999 Uni	1998-99 Uni	1998 Uni	1999 Uni	1998-99 Uni	1998 Uni	1999 Uni	1998-99 Uni	1998 Uni	1999 Uni	1998-99 Uni	1998 Uni	1999 Uni	1998-99 Uni	1998 Uni	1999 Uni	1998-99 Uni	1998 Uni	1999 Uni	1998-99 Uni
EDUCATION PROGRAMME																					
Elementary Education	29,562	31,197	60,759	10,207	10,516	20,723	5,574	5,697	11,271	25,106	25,370	50,476	11,897	12,283	24,180	20	20	40	82,366	85,083	167,449
Preparatory Education	20,715	22,483	43,198	6,444	6,541	12,985	4,015	4,066	8,081	18,543	18,649	37,192	7,608	8,104	15,712	11	12	23	57,336	59,855	117,191
Secondary Education			0	214	217	431			0			0			0			0	214	217	431
Vocational & Technical Education	2,012	1,892	3,904	1,840	1,810	3,650	915	906	1,821	3,141	3,050	6,191	4,840	4,645	9,485	400	400	800	13,148	12,703	25,851
Teacher Education	168	161	329	22	5	27	69	51	120	496	511	1,007	569	573	1,142	679	570	1,249	2,003	1,871	3,874
University Scholarships	132	135	267	43	44	87	57	58	115	215	218	433	88	84	172			0	535	539	1,074
Placement and Career Guidance			0			0			0			0	18	18	36	46	44	90	64	62	126
Education Administration & Supervision	847	844	1,691	709	702	1,411	329	329	658	1,075	1,095	2,170	633	639	1,272	1,055	1,034	2,089	4,648	4,643	9,291
Total Education Programme	**53,436**	**56,712**	**110,148**	**19,479**	**19,835**	**39,314**	**10,959**	**11,107**	**22,066**	**48,576**	**48,893**	**97,469**	**25,653**	**26,346**	**51,999**	**2,211**	**2,080**	**4,291**	**160,314**	**164,973**	**325,287**
HEALTH PROGRAMME																					
Medical Services																					
Pharmacy Services	1,886	1,957	3,843	908	988	1,896	729	742	1,471	1,694	1,761	3,455	1,023	1,061	2,084	54	49	103	6,294	6,558	12,852
Laboratory Services	318	320	638	273	276	549	144	135	279	315	301	616	296	296	592	18	18	36	1,364	1,346	2,710
General Clinic Services	4,991	4,996	9,987	3,049	3,065	6,114	1,206	1,208	2,414	3,451	3,445	6,896	3,069	3,083	6,152	35	34	69	15,801	15,831	31,632
Maternity Centres	660	667	1,327			0			0			0			0			0	660	667	1,327
TB Control	11	11	22	23	23	46	4	4	8	10	10	20	15	16	31			0	63	64	127
Mental Health	51	53	104	256	258	514	17	18	35	46	48	94	34	35	69			0	404	412	816
Dental care	364	367	731	314	320	634	143	144	287	450	457	907	282	281	563			0	1,553	1,569	3,122
School Health Services	239	285	524			0	26	26	52	106	107	213	23	22	45			0	414	420	834
Health Education	74	78	152	53	53	106	27	26	53	61	60	121	51	52	103	27	25	52	293	294	587
General Hospitals	2,059	2,047	4,106	3,705	3,738	7,441	535	548	1,083	252	278	530	4,123	4,171	8,294			0	10,672	10,782	21,454
Administration	386	398	784	322	347	669	202	189	391	385	378	763	430	432	862	758	692	1,450	2,483	2,436	4,919
Total Medical Services	11,039	11,139	22,218	8,901	9,068	17,969	3,033	3,040	6,073	6,770	6,845	13,615	9,346	9,449	18,795	892	818	1,710	40,001	40,379	80,380
Environmental Sanitation																					
Surface Water Drainage	5	5	10	7	7	14			0	50	50	100	77	45	122			0	139	107	246
Refuse and Sewage Disposal	4,151	4,146	8,297	1,902	1,945	3,847	496	496	992	2,180	2,181	4,361	1,646	1,676	3,322			0	10,375	10,444	20,819
Water Supply	170	169	339	202	192	394	17	16	33	36	18	54	169	171	340			0	594	566	1,160
Insect and Rodent Control	47	43	90	11	8	19		5	5	14	9	23	11	11	22			0	83	76	159
Administration	68	61	129	106	111	217	35	34	69	73	76	149	85	85	170	50	42	92	417	409	826
Total Environmental Sanitation	4,441	4,424	8,865	2,228	2,263	4,491	548	551	1,099	2,353	2,334	4,687	1,988	1,988	3,976	50	42	92	11,608	11,602	23,210
Nutrition and Supplementary Feeding	3,871	4,086	7,957	889	1,120	2,009	983	1,005	1,968	2,745	3,028	5,773	1,870	1,955	3,825			0	10,358	11,194	21,552
Environmental Affairs	643	616	1,259			0			0			0		10	10			0	643	626	1,269
Total Health Programme	**20,014**	**20,385**	**40,399**	**12,018**	**12,451**	**24,469**	**4,564**	**4,596**	**9,140**	**11,868**	**12,207**	**24,075**	**13,204**	**13,402**	**26,606**	**942**	**860**	**1,802**	**62,590**	**63,801**	**126,391**
RELIEF & SOCIAL SERV. PROGRAMME																					
Divisional Management	1,175	1,167	2,342	660	658	1,318	290	293	583	449	433	882	687	693	1,380	617	489	1,106	3,878	3,733	7,611
Registration Services	331	330	661	202	196	398	76	76	152	235	238	473	233	237	470			0	1,077	1,077	2,154
Relief Services																					
Special Hardship Assistance	497	503	1,000	130	129	259	41	42	83	168	171	339	203	217	420			0	1,039	1,062	2,101
- Food Support	9,103	9,504	18,607	3,565	3,765	7,330	2,922	3,064	5,986	4,654	4,872	9,526	3,723	3,893	7,616			0	23,967	25,098	49,065
- Shelter Rehabilitation	2,000	2,000	4,000	2,000	2,000	4,000	711	711	1,422	1,200	1,200	2,400	641	650	1,291			0	6,552	6,561	13,113
- Selective Cash Assistance	800	826	1,626	540	570	1,110	350	350	700	450	381	831	448	463	911			0	2,588	2,590	5,178
Other Costs	35	67	102	115	110	225	37	33	70	10	8	18	190	186	376	31	27	58	418	431	849
Emergency Distribution			0			0			0			0			0			0	0	0	0
Total Relief Services	12,435	12,900	25,335	6,350	6,574	12,924	4,061	4,200	8,261	6,482	6,632	13,114	5,205	5,409	10,614	31	27	58	34,564	35,742	70,306
Social Services																					
Community Development	25	25	50			0			0			0	20	20	40			0	45	45	90
Disability Programme	470	466	936	93	92	185	18	18	36	58	58	116	88	87	175			0	727	721	1,448
Youth Activities	67	64	131	6	6	12	4	6	10			0	41	46	87			0	118	122	240
Women in Development (WID)	95	69	164	84	80	164	44	41	85	144	145	289	193	204	397			0	560	539	1,099
Poverty Alleviation	601	558	1,159	182	184	366	98	104	202	272	272	544	458	450	908			0	1,611	1,568	3,179
Other Costs	41	38	79			0			0			0			0			0	41	38	79
Total Social Services	1,299	1,220	2,519	365	362	727	164	169	333	474	475	949	800	807	1,607	0	0	0	3,102	3,033	6,135
Total Relief and Social Serv. Programme	**15,340**	**15,617**	**30,857**	**7,577**	**7,790**	**15,367**	**4,591**	**4,738**	**9,329**	**7,640**	**7,778**	**15,418**	**6,925**	**7,146**	**14,071**	**648**	**516**	**1,164**	**42,621**	**43,585**	**86,206**

1998 – 1999 PROPOSED GENERAL FUND BUDGET

(Thousands of United States Dollars)

PROGRAMME	GAZA			LEBANON			SAR			JORDAN			WEST BANK			HQs			TOTAL		
	1998 Unit	1999 Unit	1998–99 Unit	1998 Unit	1999 Unit	1998–99 Unit	1998 Unit	1999 Unit	1998–99 Unit	1998 Unit	1999 Unit	1998–99 Unit	1998 Unit	1999 Unit	1998–99 Unit	1998 Unit	1999 Unit	1998–99 Unit	1998 Unit	1999 Unit	1998–99 Unit
OPERATIONAL SERVICES																					
Supply and Transport Services																					
Purchase of Supplies for Inventory			0			0			0			0			0	262	269	531	262	269	531
Supply Warehousing	462	460	922	312	321	633	125	123	248	308	313	621	485	489	974	203	213	416	1,895	1,919	3,814
Generator and Pump Maintenance	14	6	20	9	6	15	3	1	4	3	3	6	5	3	8	18	18	36	52	37	89
Vehicle Maintenance	360	360	720	187	185	372	83	81	164	142	139	281	264	260	524			0	1,036	1,025	2,061
Passenger Transport	1,079	1,099	2,178	641	642	1,283	284	277	561	396	401	797	527	545	1,072	1,974	1,978	3,952	4,901	4,942	9,843
Freight Transport	405	402	807	336	339	675	279	280	559	240	250	490	347	364	711	508	509	1,017	2,115	2,144	4,259
Port Operations	723	796	1,519	108	104	212	179	188	367	85	88	173	358	407	765			0	1,453	1,583	3,036
Administration	594	406	800	339	352	691	196	199	395	323	314	637	490	509	999	740	698	1,438	2,482	2,478	4,960
Total Supply & Transport Services	3,457	3,529	6,966	1,952	1,949	3,881	1,149	1,149	2,298	1,497	1,508	3,005	2,476	2,577	5,053	3,705	3,685	7,390	14,196	14,397	28,595
Architectural and Engineering Services	2,755	2,683	5,438	1,194	1,208	2,402	684	680	1,364	1,699	1,702	3,401	1,502	1,596	3,098	636	569	1,205	8,470	8,438	16,908
Total Operational Services	6,191	6,212	12,404	3,126	3,157	6,283	1,833	1,829	3,662	3,196	3,210	6,406	3,978	4,173	8,151	4,341	4,254	8,595	22,666	22,835	45,501
COMMON SERVICES																					
General Management	2,027	2,865	4,892	1,788	2,118	3,906	756	1,022	1,778	1,286	1,780	3,066	2,377	3,161	5,538	6,253	6,379	12,632	14,487	17,325	31,812
Administration	1,950	1,807	3,757	1,273	1,212	2,485	592	573	1,165	1,246	1,169	2,415	1,905	1,854	3,759	21,161	21,599	42,760	28,127	28,214	56,341
Total Common Services	3,977	4,672	8,649	3,061	3,330	6,391	1,348	1,595	2,943	2,532	2,949	5,481	4,282	5,015	9,297	27,414	27,978	55,392	42,614	45,539	88,153
Total General Fund	90,859	103,498	202,357	45,261	46,563	91,824	23,275	23,865	47,140	73,812	75,037	148,849	54,042	56,082	110,124	35,556	35,688	71,244	350,805	360,733	671,538
–Termination Indemnities	3,660	3,660	7,320	1,729	1,729	3,458	724	724	1,448	3,630	3,630	7,260	2,140	2,140	4,280	217	217	434	12,100	12,100	24,200
GRAND TOTAL	102,519	107,158	209,677	46,990	48,292	95,282	23,999	24,589	48,588	77,442	78,667	156,109	56,182	58,222	114,404	35,773	35,905	71,678	362,905	372,833	695,738

II. INTRODUCTION

15. The Agency has initiated a new process and format in the preparation of the 1998-1999 biennial budget. The former process and format, which was based on budget line expenditures, is being replaced by programme expenditures. The changes have been undertaken to improve the process of analysing programme and operational needs, examine priorities, and allocate estimated amounts to activities.

16. Through a greater involvement on the part of programme departments in the budget preparation, the Agency aims to show clearly the linkage between the objectives of UNRWA's services and its programmes, and between the programmes and the resources required to finance those programmes.

17. It is hoped that the international community which mandates UNRWA to provide assistance to increasing numbers of Palestine refugees will be able to assess the needs of the refugees and the type and level of services required to meet their needs in the areas of education, health and relief and social services, and will provide funds accordingly. UNRWA can assess the situation and prepare programme budgets based on needs, but it can deliver services only to the extent that financing is made available by the international community.

18. The austerity measures introduced between 1993 and 1997 and the direct cuts introduced in the last part of 1997 have brought the level and quality of Agency services to a level below that which the international community has financed in previous decades. Hence, after the introduction of management restructuring and new processes by the Agency, and a 1997 budget which is the lowest in per capita terms since 1991, while the Palestine refugee population has increased by 36 per cent over the same period, it is essential that UNRWA be once again made financially viable and enabled to deliver services at a standard and level which will allow the raison d'être of UNRWA programmes to be realized.

19. It is with these principles in mind that the 1998-1999 biennial budget has been prepared. It is based on zero growth, and a zero base approach has been used wherever possible.

III. CURRENT FINANCIAL SITUATION

20. UNRWA is in a very precarious financial situation. Over the years the Agency has used its working capital to cover annual deficits. This is no longer possible. Despite significant reductions in expenditure compared to the approved budget for the biennium 1996-1997, the Agency is facing a deficit in its regular activities of some $20 million for the biennium. The main reason for this deficit is that cash contributions to the Agency are not enough to cover the cash expenditures for its regular programmes.

21. The reductions made by the Agency during the 1996-1997 biennium compared to the budget are as follows (in millions of United States dollars):

Direct programme-related reductions:	
Reduction within education programme	30.6
Reduction within health programme	20.1
Reduction within relief and social services programme	21.5
Subtotal	72.2
Non-direct programme-related reductions:	
Elimination of the termination indemnities fund	25.4
Reduction of operational services	15.1
Reduction of common services	31.0
Subtotal	71.5
Grand total	143.7

22. The programme-related reductions shown above represent a significant drop in the quality and standard of services to the refugee community. Part of the reductions has been achieved through non-recruitment of staff in the three areas. The consequences of these cuts have been significant and are discussed under each programme.

23. The non-direct programme-related reductions have in many ways reduced the Agency's ability to carry out its activities efficiently. In some areas the short-term savings have reduced the Agency's ability to make more long-term savings.

24. Other short-term savings, for example in maintenance, are not cost-efficient for the Agency in the long term. Not undertaking maintenance of its schools on a regular basis leads to hazards and to a cumulative need for refurbishment, and in some cases reconstruction.

25. The Agency's inability to build up provision for termination indemnities means that the Agency will be severely constrained financially when operations are finally wound up. It could even be argued that the Agency cannot afford to reduce staff as a deficit-reduction measure because of the short-term financial implications of having to pay termination indemnities.

26. The Agency has been able to offset some of the reductions in the regular budget, for example for maintenance, through the utilization of extrabudgetary funds. However, those measures have only partly offset the reductions.

27. As a direct consequence of the shortfalls in funding for its activities, the Agency has been under severe pressure in terms of cash during the last years. This is also the case this year. Current forecasts show that the Agency will run out of cash before the end of 1997. A shortfall of approximately $10 million is expected. It is only through the cash available for the extrabudgetary activities, mainly the Peace Implementation Programme, that the Agency has been able to manage so far.

28. However, it is not only the overall lack of funding that has caused these problems, although that is the main factor. The timing of the payment of contributions has compounded the problem. Some donor contributions have arrived late in the year, making it difficult for the Agency to forecast income flow and thereby to hedge payments received against currency fluctuations. The strengthening of the United States dollar against most currencies reduced the Agency's income in 1997 by approximately $10 million.

29. It is therefore essential that contributions are not only increased to finance the budget adequately, but that payments are made in a timely fashion.

IV. BACKGROUND TO THE BIENNIAL BUDGET FOR 1998-1999

30. The present report contains UNRWA's budget for the biennium 1998-1999, based on its programmes. After adoption by the General Assembly, the 1998-1999 biennial budget will become the operational budget of the Agency for the allocation of funds in 1998-1999.

31. The budget for UNRWA is based on the mandate given to it by the General Assembly. According to that mandate, UNRWA's activities focus on support to more than 3.4 million Palestine refugees in Jordan, Lebanon, the Syrian Arab Republic, the West Bank and the Gaza Strip. The Agency is currently running three substantive programmes providing direct services to Palestine refugees: (a) education, (b) health and (c) relief and social services. Chapters VI, VII and VIII provide information on the budget for each programme, as well as on the budgets for the support, administrative and management services needed to assist the three programmes.

32. Unlike many other United Nations agencies, UNRWA plans, executes and implements its own programmes. The vast majority of its 22,000 staff, almost all of them area staff and themselves Palestine refugees, are engaged in the implementation of the three programmes.

33. UNRWA's activities within the three programmes cover two different areas: (i) regular, or recurrent activities, and (ii) extrabudgetary, or project activities. The present report deals mainly with the regular activities, budgeted for under the General Fund. The extrabudgetary part of the Agency's activities, where referred to in the present report, does not form part of the present budget submission. Reference is made to such activities as they affect the regular budget. UNRWA also plans, designs and executes its own projects; hence a spillover effect on the Agency's regular programmes is unavoidable.

34. The extrabudgetary activities consist of the following major components: the Peace Implementation Programme, the European Gaza Hospital, the headquarters move to Gaza and the Special Appeal for Lebanon. These activities for the most part complement the regular activities. The following is a brief summary of each.

- The Peace Implementation Programme (PIP) was launched in October 1993 with the aim of making the results of the Middle East peace process felt at the local level. PIP is a comprehensive investment programme through which the Agency seeks to improve infrastructure, create employment and enhance socio-economic conditions within the Palestine refugee community in the Agency's five Fields of operation. To date, the Agency has received $215 million in earmarked pledges and contributions from donors for some 300 projects under PIP. It is important to understand that PIP activities are not undertaken without cost to the Agency's regular budget. Upon completion, PIP projects are retained as part of the network of Agency facilities for the delivery of basic services, rather than passed on to third parties to run, as is the case with other United Nations agencies working in the region. As a consequence, UNRWA has to cover the running costs and, invariably, those monies must be drawn from the General Fund.

- The European Gaza Hospital project was initiated in 1990 to alleviate the serious shortage of hospital beds and adequate medical services in the Gaza Strip through the construction, equipping and commissioning

of a 232-bed general hospital with funds provided by the European Community and other bilateral European donors. The hospital will be the second largest in the Gaza Strip, representing a 24 per cent increase in the number of hospital beds available, and is due to be handed over to the Palestinian Authority Ministry of Health upon completion and commissioning. A special extrabudgetary account was established for the hospital project, for which $44.2 million in pledges and contributions have been received to date. Since the construction phase began in 1993, however, insufficient donor resources at particular points have forced UNRWA to advance funds from the General Fund against expected pledges, to avoid delaying implementation and incurring even costlier penalties.

- The headquarters move to the area of operations, undertaken in July 1996, was financed through a special extrabudgetary account, in accordance with the wish of the Agency's donors that it not be financed out of the regular budget. By the end of 1996, the Agency had incurred expenditures of $14.5 million in connection with the move, against the agreed move budget of $13.5 million, and had received pledges and contributions amounting to $10.5 million. The additional expenditure arose from a cost overrun of $1 million for the construction of the new headquarters building, which resulted, inter alia, from the repeated and prolonged closures of the Gaza Strip. The shortfall in funding, together with the cost overrun, has obligated the Agency to advance $4 million out of the regular budget against expected contributions.

- The Special Appeal for Lebanon was launched in July 1997 in response to the deplorable living conditions faced by the Palestine refugees in Lebanon. While the acute needs of the refugees and their almost complete reliance on the Agency are readily recognized, funding shortfalls make it increasingly difficult to maintain adequate services in the face of deteriorating socio-economic conditions. The appeal, launched in the amount of $11 million for 1997 and 1998, comprised $6.9 million for urgently needed health facilities and services, especially hospitalization, $2.7 million for education and $1.4 million for relief and social services activities. Estimated pledges received to date amount to $10.2 million.

35. The financing of the Agency's activities is almost exclusively through voluntary contributions, which are received mainly in cash from various donors. In-kind donations are also received. In 1998-1999 the in-kind portion of total expenditures is estimated at $59.5 million, representing approximately 8.5 per cent of the total of $695.7 million.

36. Direct assistance to Palestine refugees is also provided by host Governments in the area of operations.

37. The value of the inputs made by the Palestine refugees, through co-payment and/or volunteer labour, is not recorded in the Agency's books and is therefore not included here.

38. In the 1998-1999 biennium, 84 of the 167 international posts are to be funded from the United Nations regular budget (compared to 92 posts in the 1996-1997 biennium), representing about 3 per cent of total Agency expenditures. In addition, the World Health Organization (WHO) and the United Nations

Educational, Scientific and Cultural Organization (UNESCO) fund six international posts.

39. The present budget is presented in a format designed to facilitate a programmatic assessment of the Agency's activities. For example, any change in the staffing structure will have an impact on the delivery and performance of the programmes and cannot be seen in isolation as a budget line expense.

40. A zero-based approach has been adopted in the preparation of the 1998-1999 biennial budget where applicable.

41. Both the estimated expenditures for 1996-1997 and the proposed budget for 1998-1999 have been positively affected by the change in the exchange rate of the Syrian pound.

V. THE 1998-1999 BUDGET

42. The preparation of the budget has been undertaken against a background of increasing needs of the Palestine refugees. It is based on the level and quality of services that have become the norm for UNRWA, in particular as a result of the fact that the international community over decades has financed services at those standards. At the same time, the very severe financial situation in which the Agency finds itself has had a significant influence on the setting of budget targets. In general, no new services have been introduced.

43. The budget for 1996-1997, estimated expenditures for 1996-1997 and budgeted amounts for 1998-1999 under the Agency's regular activities, are shown table 1.

Table 1. 1996-1997 budget and estimated expenditures, and 1998-1999 budget

(Millions of US dollars)

	1996-1997 Approved Budget			1996-1997 Estimated Expenditures			1998-1999 Proposed Budget		
Programme	Cash	In kind	TOTAL	Cash	In kind	TOTAL	Cash	In kind	TOTAL
Education	324.2	2.0	326.2	293.6	1.8	295.4	323.6	1.7	325.3
Health	97.8	23.4	121.2	84.5	15.8	100.3	104.3	22.1	126.4
Relief and social services	27.4	47.2	74.6	26.2	29.0	55.2	50.7	35.5	86.2
Operational services	45.5	4.6	50.1	36.6	0.0	36.6	45.5		45.5
Common services	94.3	0.2	94.5	63.4	0.2	63.6	87.9	0.2	88.1
Total General Fund	589.2	77.4	666.6	504.3	46.8	551.1	612.0	59.5	671.5
Termination Indemnity Fund	25.4		25.4				24.2		24.2
Grand total	614.6	77.4	692.0	504.3	46.8	551.1	636.2	59.5	695.7

44. Table 1 shows that the total growth in the Agency's activities between the approved budget for 1996-1997 and that for the 1998-1999 biennium is only $3.7 million, or about 0.5 per cent, despite a refugee population growth of more than 3 per cent. The difference in the cash budget, when compared to the estimated expenditure for 1996-1997, arises from the fact that the amounts for the new biennium represent the much-needed reinstatement of those services which the Agency was forced to reduce because of the shortage of financial resources. The Agency has a mandate to fulfil. In order for this to be done, the services represented by the dollar amounts shown in table 1 are essential. The conclusion is that the Agency was unable to meet all the budgeted needs in 1996-1997, as approved by the General Assembly, because of a shortfall of funds. Moreover, if the income received in the new biennium is less than $695.7 million, similar cuts will have to be introduced and the Agency will again be unable to meet the obligations set out by the international community and discharged by UNRWA.

VI. UNRWA'S PROGRAMMES

A. Education programme

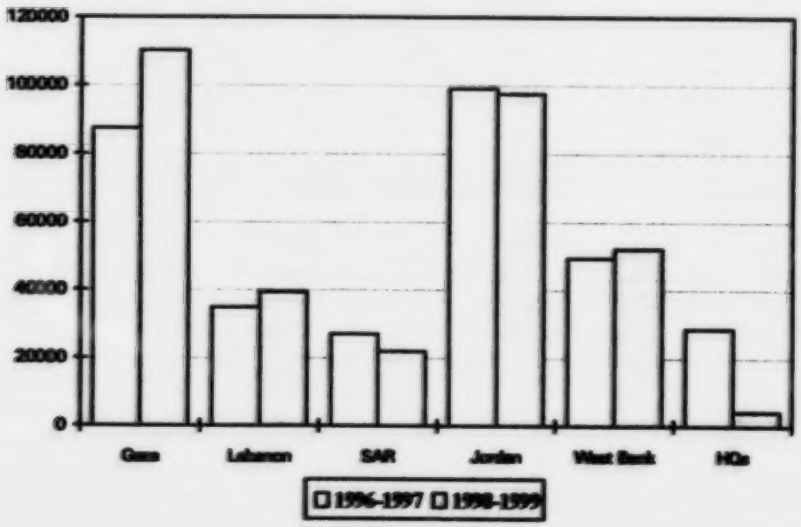
45. The mission of UNRWA's education programme is to provide general education, vocational and technical education, and teacher training for Palestine refugees within the framework of the education systems and curricula of the host Governments and the Palestinian Authority, in accordance with Palestinian educational needs, identity and cultural heritage.

46. In accordance with an agreement concluded between UNRWA, UNESCO and the host Governments in the early 1950s, the Agency adopts the education structure, curricula, textbooks and other features of the host Government and now also of the Palestinian Authority. This is done to facilitate the access and movement of refugee students from UNRWA schools to government or private schools and from one education cycle to another.

47. The education programme is the Agency's largest, with a total budget of $325.3 million for the biennium 1998-1999, compared to $326.2 million for the 1996-1997 biennium. Figure 4 shows the education programme budget by Field for the biennium 1998-1999, compared to 1996-1997.

Figure 4. Education programme budget by Field

(Thousands of US dollars)



	Gaza	Lebanon	SAR	Jordan	West Bank	HQs	Total
1996-1997	87,405	34,760	27,134	99,083	49,256	28,611	326,249
1998-1999	110,148	39,314	22,066	97,469	51,999	4,291	325,287

48. A breakdown of education programme expenditures by category of expenditure is shown in table 2.

Table 2. Education programme expenditures by category

(Thousands of US dollars)

	1996-1997 Approved Budget			1996-1997 Estimated Expenditures			1998-1999 Proposed Budget		
Expenditure Category	Cash	In kind	TOTAL	Cash	In kind	TOTAL	Cash	In kind	TOTAL
International staff costs		1 306	1 306		1 156	1 156		1 081	1 081
Area staff costs	289 096		289 096	271 370		271 370	297 004		297 004
Services	6 576		6 576	5 297		5 297	4 536		4 536
Supplies purchased	18 923	637	19 560	11 520	415	11 935	11 760	532	12 292
Construction and equipment	5 251		5 251	1 477	192	1 669	6 662		6 662
Premises	2 935	49	2 984	2 334	49	2 383	2 568	53	2 621
Grants and subsidies	1 412		1 412	1 158		1 158	1 147		1 147
Internal adjustments	64		64	419		419	(56)		(56)
Total	324 257	1 992	326 249	293 575	1 812	295 387	323 621	1 666	325 287

49. The international staff costs are part of programme management and represent the four posts financed by UNESCO. As some of the posts in this category were converted to area staff posts, the budgeted amounts have been reduced for this budget line over the previous biennium.

50. Area staff costs are mainly those of teachers and other staff providing education to about 475,000 pupils in the five Fields. In addition to the annual salary increments, the increased budget in 1998-1999, compared to the estimated expenditures for 1996-1997, can be attributed to the following:

Salary increments (in millions of US dollars):

Additional teachers I	6.0
Additional teachers II	3.2
Conversion of contract teachers	1.2
Introduction of tenth year in Gaza and the West Bank	4.2
Upgrading of elementary school teachers in the West Bank	0.3

51. Additional teachers I is the increase in teachers needed in order to keep pace with the increased number of pupils, based on the natural growth in the refugee population with some increase in the class occupancy rate (number of pupils in the classroom). Additional teachers II refers to the number of teachers that will be needed to restore the teacher:pupil ratio to the level defined by UNESCO and to the level that is commensurate with the ratio in the schools of the host authorities. Over the last school year, no new teachers,

except those that were needed to cover the growth in student intake, were employed. This adversely affected the quality of the education services. Should funds not be available, the Agency will not be able to improve the education quality to the standard set by UNESCO.

52. The decrease in budgeted expenditures under Services in 1996-1997 is a result of the conversion of contract teachers from the heading Services to the regular payroll (see para. 60).

53. Supplies purchased refer mainly to textbooks and other school materials used in the programme. The increase results from school population growth.

54. Construction and equipment refers to the amounts needed to build and equip classrooms in Agency schools. The General Fund budget for this item has not been adequate to construct the needed classrooms. However, PIP funds have been utilized to cover part of the need. The increase over expected expenditures for 1996-1997 is predominantly a result of the planned introduction of the tenth year in the West Bank and Gaza.

55. The education programme accounts for 48.4 per cent of the Agency's expenditures and 72 per cent of the staff. Education programme expenditures can be divided into the subprogrammes shown in table 3.

Table 3. Education programme expenditures by subprogramme

(Thousands of US dollars)

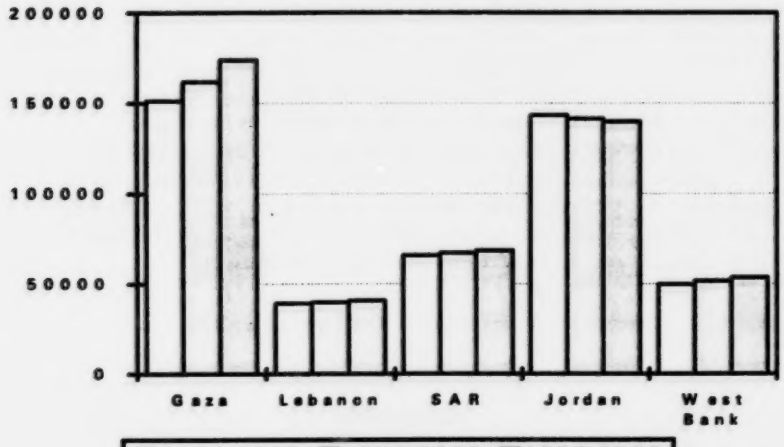
	1996-1997 Approved Budget			1996-1997 Estimated Expenditures			1998-1999 Proposed Budget		
Subprogramme	Cash	In kind	TOTAL	Cash	In kind	TOTAL	Cash	In kind	TOTAL
General education:									
Elementary	166 423	28	166 451	151 902	59	151 961	167 421	28	167 449
Preparatory	115 136	45	115 181	106 276	73	106 349	117 155	36	117 191
Secondary	381		381	417	0	417	431		431
Vocational and technical education	29 567	613	30 180	23 303	524	23 827	25 328	523	25 851
Teacher education	3 597	288	3 885	3 106	266	3 372	3 626	248	3 874
University scholarships	1 033		1 033	994	0	994	1 074		1 074
Placement and career guidance	119		119	92	0	92	126		126
Education administration and supervision	8 001	1 018	9 019	7 485	890	8 375	8 460	831	9 291
Total	324 257	1 992	326 249	293 575	1 812	295 387	323 621	1 666	325 287

1. General education

56. Under its general education subprogramme, UNRWA provides elementary and preparatory education for Palestine refugee children in 642 schools Agency-wide. The Agency provides six years of elementary education for all eligible Palestine refugee children who reach the age of five years and eight months at the beginning of each school year. Taking into consideration the right to education as part of the Universal Declaration of Human Rights and the principles of UNESCO's Education for All, and to ensure gender equality, elementary education is compulsory, free of charge and open to both genders.

57. Preparatory education is also considered an integral part of the basic education cycle. Thus it is also compulsory, free of charge and open to both genders. Palestine refugee children who satisfactorily complete the elementary cycle are promoted to the preparatory cycle, which consists of three years in the Syrian Arab Republic, the West Bank and the Gaza Strip and four years in Jordan and Lebanon. In line with the introduction by the Government of Jordan of a tenth year in its general education cycle, UNRWA should have added a tenth year in the West Bank starting in the 1993/1994 school year. However, owing to financial constraints, the implementation of that plan was initially postponed until the 1996/1997 school year. Based on the level of income received in the biennium 1996-1997, the implementation of the tenth year will have to be postponed until the 1998/1999 school year.

Figure 5. Number of students



	Gaza	Lebanon	SAR	Jordan	West Bank	Total
1997-1998	151,143	39,022	65,710	143,322	49,549	448,746
1998-1999	161,748	39,884	67,095	141,280	51,322	461,329
1999-2000	173,738	40,749	68,369	139,778	53,282	475,916

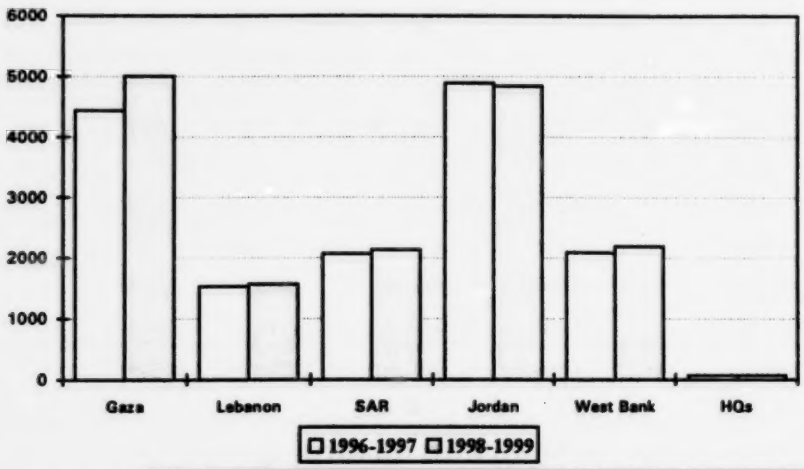
58. Because of the sharp annual increase in the elementary and preparatory school population, and the lack of funds to build new schools or classrooms to accommodate the additional pupils, the Agency resorted to renting buildings not originally designed as schools, or to operating some schools on double shifts - that is, two administrative schools in one building. Currently, 16.3 per cent of the Agency's elementary and preparatory schools are in rented premises, while 74.5 per cent of the schools operate on double shifts. The classrooms in the rented school buildings are smaller than the Agency-built schools, thus accommodating fewer pupils and increasing the need for more teachers. The increase in expenditure between 1996-1997 and 1998-1999 is due to natural growth and to the significant increases in rent in Lebanon where many school premises are rented. The Agency endeavours, through the prioritization of PIP projects, to replace rented schools by standard Agency-built premises to achieve greater efficiency in utilizing limited financial resources.

59. The Agency's policy has been to maintain the same curriculum as the respective host authority. In 1992, a tenth year was introduced in the preparatory cycle in government schools in the West Bank and, later, in Gaza. UNRWA has been requested to do the same in its schools. However, because of a shortfall in funds, the Agency has been unable to comply. The consequences for UNRWA students are grave. They may not gain access to the tenth grade and later on to secondary education in schools run by the Palestinian Authority in some areas in the West Bank and Gaza. Funds are therefore needed for the introduction of the tenth year in those two Fields. That would mean the recruitment of 354 new teachers in the West Bank and Gaza at an additional cost of $9.6 million for the biennium for staff and non-staff costs.

60. Because of recurring austerity measures imposed since 1993, the Agency was unable to obtain the required number of additional teachers to cope with the natural growth in the school population. This forced the Agency to accommodate more pupils in each class. Moreover, the Agency resorted to hiring teachers in Gaza on a contract basis at a lower monthly salary. That policy will be reviewed during the biennium to assess the need to harmonize with local conditions against the adverse effects such a policy may have on the quality of the education programme. In addition, the Agency was unable to adequately maintain its school premises or to upgrade elementary teachers with a first level university degree in the West Bank to bring them in line with their colleagues in the preparatory cycle with similar qualifications.

61. Figure 6 shows total area staff in the education department for the biennium 1996-1997 and for 1998-1999.

Figure 6. Number of area staff



	Gaza	Lebanon	SAR	Jordan	West Bank	HQs	Total
1996-1997	4,442	1,531	2,067	4,896	2,081	66	15,083
1998-1999	5,002	1,563	2,131	4,848	2,187	66	15,797

62. As a result of the deterioration in the socio-economic situation of Palestine refugees in Lebanon, the very limited number of Palestine refugee children who may be admitted to government schools, and the very high tuition fees charged by private schools, the Agency approved, as an exception, the establishment of one secondary school in Beirut effective September 1993. Students were admitted in phases over a three-year period, starting with the first secondary class in the 1993/1994 school year. The school reached its full capacity in 1995/1996, with 265 students in 12 class sections. In 1996/1997, the enrolment was 333 students in 13 class sections with 18 teachers and one head teacher. This arrangement will continue for 1998/1999 and 1999/2000.

Elementary education (budgeted amount, $167,449,000)

63. Table 4 shows the costs of elementary education distributed over the Fields.

Table 4. Elementary education

(Thousands of US dollars)

	1996-1997 Approved Budget			1996-1997 Estimated Expenditures			1998-1999 Proposed Budget		
Field	Cash	In kind	TOTAL	Cash	In kind	TOTAL	Cash	In kind	TOTAL
Gaza	48 139	26	48 165	49 057	56	49 113	60 733	26	60 759
Lebanon	18 317		18 317	20 064		20 064	20 723		20 723
Syrian Arab Republic	13 860	2	13 862	10 478	3	10 481	11 269	2	11 271
Jordan	51 311		51 311	49 936		49 936	50 476		50 476
West Bank	22 893		22 893	22 341		22 341	24 180		24 180
Subtotal	154 520	28	154 548	151 876	59	151 935	167 381	28	167 409
Headquarters costs	11 904		11 904	26		26	40		40
Total	166 424	28	166 452	151 902	59	151 961	167 421	28	167 449

64. The allocation of funds over the five Fields is mainly related to the number of pupils in each Field. However, the high increase in percentage terms (over population growth) for the West Bank and Gaza results from the conversion of contract teachers in Gaza and the upgrading of elementary teachers in the West Bank.

Table 5. Number of elementary school pupils

(Thousands)

School Year	Gaza	Lebanon	Syrian Arab Republic	Jordan	West Bank	Total
1996-1997	106	26	44	90	34	300
1997-1998	115	26	44	88	36	309
1998-1999	123	27	45	87	37	319
Percentage growth per year	7.7	2.0	1.6	-1.1	4.2	3.2

Preparatory education (budgeted amount, $117,191,000)

65. Table 6 shows the costs of preparatory education distributed over the Fields.

Table 6. Preparatory education

(Thousands of US dollars)

	1996-1997 Approved Budget			1996-1997 Estimated Expenditures			1998-1999 Proposed Budget		
Field	Cash	In kind	TOTAL	Cash	In kind	TOTAL	Cash	In kind	TOTAL
Gaza	34 216	39	34 255	34 869	65	34 934	43 168	30	43 198
Lebanon	11 477		11 477	12 572		12 572	12 985		12 985
Syrian Arab Republic	9 932	7	9 939	7 508	8	7 516	8 075	6	8 081
Jordan	37 807		37 807	36 794		36 794	37 192		37 192
West Bank	14 876		14 876	14 517		14 517	15 712		15 712
Subtotal	108 308	46	108 354	106 260	73	106 333	117 132	36	117 168
Headquarters costs	6 838		6 828	15		15	23		23
Total	115 136	46	115 182	106 275	73	106 348	117 155	36	117 191

66. The allocation of funds over the five Fields is mainly related to the number of pupils in each Field. The higher increase in percentage terms (over population growth) for the West Bank and Gaza is related to the introduction of the tenth school year and the conversion of Gaza contract teachers. The tenth school year has already been implemented in Jordan and Lebanon and is not part of the curriculum in the Syrian Arab Republic.

Table 7. Number of preparatory school pupils

(Thousands)

School Year	Gaza	Lebanon	Syrian Arab Republic	Jordan	West Bank	Total
1996/1997	34	12	20	56	13	135
1997/1998	36	12	22	55	14	139
1998/1999	39	12	22	54	14	141
Percentage growth per year	6.2	1.3	4.1	-1.7	1.7	1.8

2. Vocational and technical education (budgeted amount, $25,851,000)

67. The allocation of costs over the five Fields for vocational and technical education is shown in table 8.

Table 8. Vocational and technical education

(Thousands of US dollars)

	1996-1997 Approved Budget			1996-1997 Estimated Expenditures			1998-1999 Proposed Budget		
Field	Cash	In kind	TOTAL	Cash	In kind	TOTAL	Cash	In kind	TOTAL
Gaza	3 058	115	3 137	3 116	100	3 216	3 858	46	3 904
Lebanon	3 191	46	3 237	3 495	40	3 535	3 610	40	3 650
Syrian Arab Republic	2 200	35	2 235	1 663	44	1 707	1 789	32	1 821
Jordan	6 194	102	6 296	6 028	110	6 138	6 093	98	6 191
West Bank	8 690	315	9 005	8 480	230	8 710	9 178	307	9 485
Subtotal	23 333	613	23 946	22 782	524	23 306	24 528	523	25 051
Headquarters costs	6 235		6 235	521		521	800		800
Total	29 568	613	30 181	23 303	524	23 827	25 328	523	25 851

68. In order to provide young Palestine refugees with the required skills and competency for different occupations and to satisfy their need for such training, as well as to meet the requirements of the labour market, UNRWA provides vocational and technical education in eight training centres, two in Jordan, three in the West Bank and one in each of the other three Fields. The Agency's training centres offer two types of training courses, each of two-year duration:

(a) Trade courses (22) are offered to students who satisfactorily complete the preparatory cycle. They include diesel and construction equipment mechanics, auto-body repair, building construction craftsmanship, machining/welding, radio/TV maintenance, dressmaking, clothing production, hairdressing and beauty culture.

(b) Semi-professional/technical courses (26) are offered to students who satisfactorily complete the secondary cycle. They include computer science, industrial electronics, architecture, mechanical drafting, interior design and decoration, home and institutional management, pharmacy, nursing, business administration, banking and financial management.

69. In addition, UNRWA provides short-term training courses of 12-40 weeks duration at the majority of its training centres, aimed at training young Palestinians to cope with changes in the labour market. These courses cover building, electrical and mechanical trades, as well as executive secretarial training for young women. In addition, vocational training centres in the West Bank provide short-term training courses to Palestinians released from Israeli prisons. The cost of these courses is covered by the Palestinian Authority in cooperation with some non-governmental organizations.

70. Since 1954, about 53,000 trainees have graduated from UNRWA training centres. These trainees were not only able to later support themselves, but were also able to provide financial support to their immediate and extended family through employment locally and abroad. This in turn has contributed to social stability in the Palestinian community.

71. With limited financial resources allocated to the vocational and technical education subprogramme, and with the expected earmarked donor funding for new courses, the following enrolments are estimated for the coming three years: 1997/1998, 4,698; 1998/1999, 4,718; and 1999/2000, 4,718.

72. The allocation of funds over the five Fields is not directly related to the number of refugees in each Field. In certain cases centres are fully sponsored by specific donors, such as the Ramallah Men's Training Centre and the Ramallah Women's Training Centre in the West Bank, which are funded by the Government of Denmark.

73. Because of a shortage of funds, the Agency has been unable to equip training centres at the necessary standards or to maintain the premises at an acceptable standard. Nor has it been possible to introduce new training courses as required by the changing labour market in the region. This has reduced the chances of employment for potential trainees. To some extent it has been possible to offset the effect of this shortage through specific contributions from donors. It would be of some concern to the Agency if funds are not made available.

74. The $0.8 million in headquarters costs shown in table 8 represents equipment needed in the training centres. As the need is significantly higher than UNRWA can afford, the Agency retains the funds at Amman headquarters for more judicious use of limited resources, rather than allocate it to the various Fields at this stage.

3. Teacher education (budgeted amount, $3,874,000)

75. The allocation of costs over the five Fields for teacher education is shown in table 9.

Table 9. Teacher education

(Thousands of US dollars)

	1996-1997 Approved Budget			1996-1997 Estimated Expenditures			1998-1999 Proposed Budget		
Field	Cash	In kind	TOTAL	Cash	In kind	TOTAL	Cash	In kind	TOTAL
Gaza	261		261	266		266	329		329
Lebanon	24		24	26		26	27		27
Syrian Arab Republic	148		148	112		112	120		120
Jordan	1 024		1 024	996		996	1 007		1 007
West Bank	1 081		1 081	1 055		1 055	1 142		1 142
Subtotal	2 538		2 538	2 455		2 455	2 625		2 625
Headquarters costs	1 059	288	1 347	651	266	917	1 001	248	1 249
Total	3 597	288	3 885	3 106	266	3 372	3 626	248	3 874

76. UNRWA provides pre-service teacher education to young Palestine refugees who successfully complete the general secondary school cycle at three of its training centres in Jordan and the West Bank. Until 1993, the Agency offered two-year pre-service teacher training courses. As a result of educational developments in Jordan and coordination with Jordanian and Palestinian authorities, the Agency decided to upgrade its pre-service teacher education programme from two years to four, leading to a first-level university degree for a class teacher for grades 1 to 4 or as a teacher for a specific subject, such as Arabic or mathematics, for grades 5 to 10. In September 1993, the teacher training sections at the Amman Training Centre in Jordan and the Ramallah Men's and Women's Training Centres in the West Bank were converted to an education sciences faculty.

77. In the 1996/1997 training year, the three Education Sciences Faculties had 900 training places in the pre-service teacher education programme, while the actual enrolment was 827, since trainees from Gaza could not obtain permits from the Israeli authorities to enable them to travel to the Education Sciences Faculties in the West Bank. The 827 trainees are taught by 62 faculty members ranging from instructor to professor.

78. The Agency plans to maintain the number of training places at the three Faculties over the coming three years at the 1996/1997 level and with an average of 300 training places per Faculty.

79. The introduction of a two-year teacher training section at the Siblin Training Centre in Lebanon was approved to meet the growing need for qualified and competent teachers for UNRWA schools. The new programme will commence in September 1997 with two class sections of 50 trainees in the first year to be taught by four instructors. A second intake of 50 trainees will be admitted in September 1998 with four additional instructors, thus increasing the capacity of the teacher training section to 100 trainees in four class sections with eight instructors.

80. The Education Sciences Faculty in Jordan also provides in-service teacher education to serving teachers to upgrade their qualifications from a two-year diploma to a first-level university degree, as stipulated by the education law in Jordan. The Education Sciences Faculties in the West Bank have not yet started an in-service training programme.

81. The Agency also provides in-service training to its education staff through the Institute of Education at UNRWA's Amman headquarters. That training is implemented in cooperation with the five education development centres, one in each Field, and covers a wide range of courses of one-, two- or three-year duration aimed at certifying unqualified elementary and preparatory teachers or vocational training instructors, meeting curricular changes and developing the supervisory and leadership skills of senior education staff. The Agency plans to have 520 education staff members in the coming three training years in the Institute of Education's in-service training programme.

82. The bulk of the expenditure is allocated to the pre-service training of teachers in two Fields: & Jordan and the West Bank. The amounts for Gaza, Lebanon and the Syrian Arab Republic represent mainly costs for the in-service training of teachers in those Fields. As mentioned above, the training centres in Ramallah are fully sponsored by the Government of Denmark. The costs presented as headquarters costs in table 9 are mainly staff costs related to the development of in-service training courses and training material.

4. University scholarship programme (budgeted amount, $1,033,000)

83. UNRWA provides university scholarships to Palestine refugee students in the five Fields to enable them to pursue studies at recognized universities in the Middle East. Scholarships are awarded on academic merit to those students who excel in the secondary school examinations organized by the host Governments and the Palestinian Authority. The scholarships are renewed annually to successful students until they obtain the first-level university degree. The areas of study cover a wide range of specializations which are in demand in the Palestinian community, as well as in the host countries, such as medicine, agriculture, dentistry, engineering, science, arts and commerce. Currently, 36 per cent of scholarships are budgeted for in the General Fund. The remaining scholarships are funded by Japan (42 per cent) and Switzerland (22 per cent).

84. In 1996/1997, UNRWA awarded 1,088 scholarships, of which 507 (46.6 per cent) were for women and 581 (53.4 per cent) for men. The 1,088 students are studying in 21 faculties in 45 universities throughout the Middle East. The annual award ranges from $250 to $1,500. The total amount of the awards in 1996-1997 was $980,775..

85. The programme is administered by the university scholarship advisory committee and is strictly monitored and controlled by the Agency.

5. Placement and career guidance (budgeted amount, $126,000)

86. The Agency provides placement services to Palestine refugee graduates from the Agency's training centres and Education Sciences Faculties and other educational institutions in the five Fields, to assist them in securing jobs in the local market. It also serves employers from both the private and public sectors, both locally and abroad, in the recruitment of suitable employees from among Palestine refugee graduates. That service is provided free of charge to encourage employers to recruit Palestine refugee graduates and to help the graduates become self-supporting.

87. In addition to the placement services, the Agency assists students at the end of the preparatory or secondary cycle to become acquainted with the vocational training courses available at the training centres, the admission requirements and employment prospects. That service helps them select the vocations which they are interested in and which suit their abilities.

88. The Agency's placement and career guidance service, in coordination and cooperation with other parts of the Agency, conducts studies and market surveys on the needs of the labour market, as well as follow-up on the vocational and training centre graduates themselves. The findings are used to revise vocational and training syllabuses, cancel those courses which offer limited employability and introduce new courses at the training centres.

6. Education administration and supervision

89. The Department of Education consists of 70 staff members, including the Programme Director. The seven posts funded by UNESCO, of which four are international staff, represent the senior management of the education programme. They are supported by 39 specialists in general and vocational education and 24 support staff.

90. The other part of education administration and supervision comes under the education programme in each Field. Each Field education programme has its own chief, school supervisors and other support staff. It should be noted that because of austerity measures the number of school supervisors in the three major Fields - Jordan, the West Bank and the Gaza Strip - is much lower than the approved norm of 83 teachers per supervisor. In Gaza the ratio is 130:1.

Other costs

91. Certain costs associated with the education programme placed under the Agency's operational services are not reported under the education programme. These mainly cover purchase activities, transport of goods and staff, and technical support related to the construction and maintenance of schools. These costs are difficult to allocate as they are shared services, but it is estimated that about 25 per cent of the operational services costs could be allocated to the education programme, which would correspond to approximately $11.6 million in the 1998-1999 biennial budget.

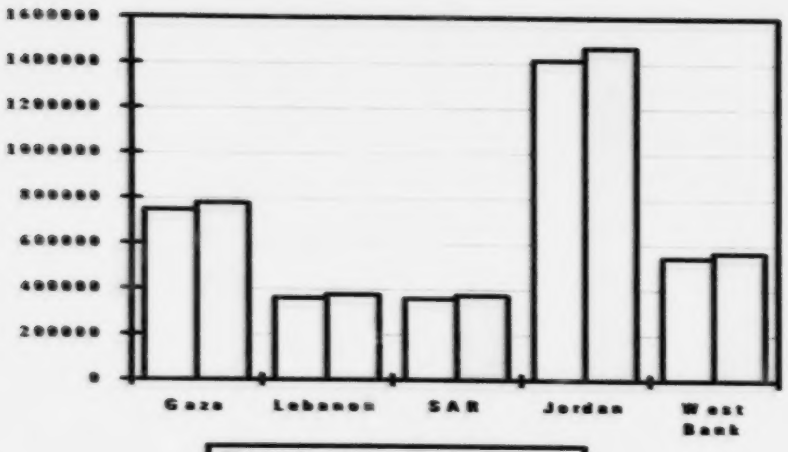
B. Health programme

92. The mission of UNRWA's health programme is to provide basic and essential health services to the registered Palestine refugees consistent with the humanitarian policies of the United Nations and the basic principles and concepts of WHO. The Agency's health programme seeks to preserve and improve the health status of refugees and meet their basic health needs consistent with the public health programme that host Governments provide for their own population.

93. The health programme is the Agency's second largest programme, with a total budget of $126.4 million, representing 18.8 per cent of the Agency's expenditures; 15 per cent of the Agency's staff are employed in the programme.

94. UNRWA's health programme, which is community-health oriented, provides primary health care to more than 3.4 million Palestine refugees through 121 health centres located throughout the five Fields. The programme comprises medical care services, both preventive and curative; environmental health services in camps, and nutrition and supplementary feeding to vulnerable population groups. Figure 7 shows the number of beneficiaries for the biennium 1998-1999 compared to 1996-1997.

Figure 7. Number of health programme beneficiaries



	Gaza	Lebanon	SAR	Jordan	West Bank	Total
1996-1997	746,050	359,005	356,739	1,413,252	542,642	3,417,688
1998-1999	775,892	373,365	371,008	1,469,782	564,347	3,554,394

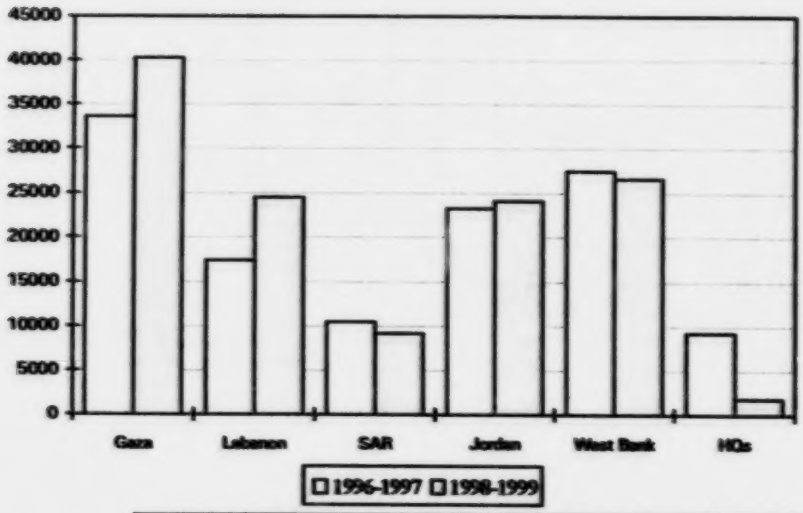
95. The programme has had significant achievements: the elimination of protein-calorie malnutrition, as shown by the 1990 WHO/UNRWA nutrition survey; control of communicable diseases, especially poliomyelitis and tetanus, through immunization campaigns, and reduction in infant mortality to a level below the WHO target for developing countries of 50 deaths per 1,000 live births by the year 2000.

96. Since 1950, WHO has provided technical supervision of the Agency's health programme through its Eastern Mediterranean Regional Office (EMRO) with staff support from WHO headquarters. WHO assigns staff members to UNRWA headquarters on a non-reimbursable loan basis, including the Agency's Director of Health, who is responsible for advising UNRWA's Commissioner-General and the WHO/EMRO Regional Director on all policy aspects of the operational and technical activities of the Agency's health programme.

97. The health programme budget for the biennium 1998-1999 compared to that for 1996-1997 is shown in figure 8.

Figure 8. Health programme budget

(Thousands of United States dollars)



	Gaza	Lebanon	SAR	Jordan	W/Bank	HQs	Total
1996-1997	33,586	17,362	10,428	23,179	27,439	9,215	121,209
1998-1999	40,294	24,469	9,140	24,075	26,606	1,802	126,391

98. Health programme expenditures allocated over the four main subprogrammes are shown in table 10.

Table 10. Health programme expenditures by subprogrammes

(Thousands of United States dollars)

	1996-1997 Approved Budget			1996-1997 Estimated Expenditures			1998-1999 Proposed Budget		
Subprogramme	Cash	In kind	Total	Cash	In kind	Total	Cash	In kind	Total
Medical care services	76 186	1 737	77 923	64 835	860	65 695	79 746	634	80 380
Environmental health	19 945	138	20 083	18 537	122	18 659	23 072	138	23 210
Nutrition and supplementary	206	21 178	21 384	157	14 830	14 987	185	21 347	21 532
Environmental affairs	1 486	333	1 819	956		956	1 269		1 269
Total	97 823	23 386	121 209	84 485	15 812	100 297	104 272	22 119	126 391

99. Medical care services, including family health and disease control, represent 63 per cent of the operating health budget. Environmental health services, including the special environmental health programme in Gaza, represent 19 per cent of the estimated annual health budget.

100. As in previous years, the main emphasis of the health programme will continue to be preserving achievements in primary health care, which have made the Agency's health programme one of the most cost-effective health care systems in the region, with an annual per capita cost of little more than $15 for the full range of medical care and environmental health services provided to the refugees. The top priorities of the programme will continue to be family health, including reproductive health and family planning; environmental health; and a very selective use of essential hospital services.

101. Table 11 gives the breakdown of health programme expenditures based on the type of expenditure.

Table 11. Health programme expenditures by category

(Thousands of United States dollars)

Expenditure Category	1996-1997 Approved Budget			1996-1997 Estimated Expenditures			1998-1999 Proposed Budget		
	Cash	In kind	Total	Cash	In kind	Total	Cash	In kind	Total
International staff costs	733	1 444	2 177	651	1 120	1 771	509	604	1 113
Area staff costs	59 359		59 359	53 091		53 091	61 964		61 964
Services	17 244		17 244	13 814		13 814	20 231		20 231
Supplies purchased	13 142	21 800	34 982	11 342	14 550	25 892	14 756	21 367	36 123
Construction and equipment	625		625	933		933	247		247
Premises	672	142	814	613	142	755	721	148	869
Grants and subsidies	6 096		6 096	4 150		4 150	5 844		5 844
Internal adjustments	(48)		(48)	(109)		(109)			
Total	97 823	23 386	121 209	84 485	15 812	100 297	104 272	22 119	126 391

102. International staff costs shown in table 11 are mainly the salaries and other related costs of the senior staff of the department of health. The staff costs of two headquarters international staff are covered by WHO/EMRO. Most of those posts have recently been converted from international to area posts, hence the reduction between the two bienniums. Any attempt to introduce further administrative reform in the health programme would result in negligible savings.

103. Area staff costs cover health workers, such as doctors, nurses and midwives, and sanitation workers delivering services in the five Fields. The increase in the cost for area staff compared to the expected expenditure for 1996-1997 is the result of an increase in the number of health workers and sanitation workers proposed for the 1998-1999 biennium.

104. The operating costs for a number of health care facilities, especially in the West Bank and Gaza, are currently funded for a specific period only, under PIP. Closing such facilities would not only overtax the remaining health facilities but would also represent a significant waste of the capital investment in premises and equipment. The running costs, to a large extent staff costs, would therefore have to be taken up by the General Fund. This is a negative consequence of funding for PIP and inadequate funding for the regular budget, although PIP in general has an extremely positive impact on Palestine refugees.

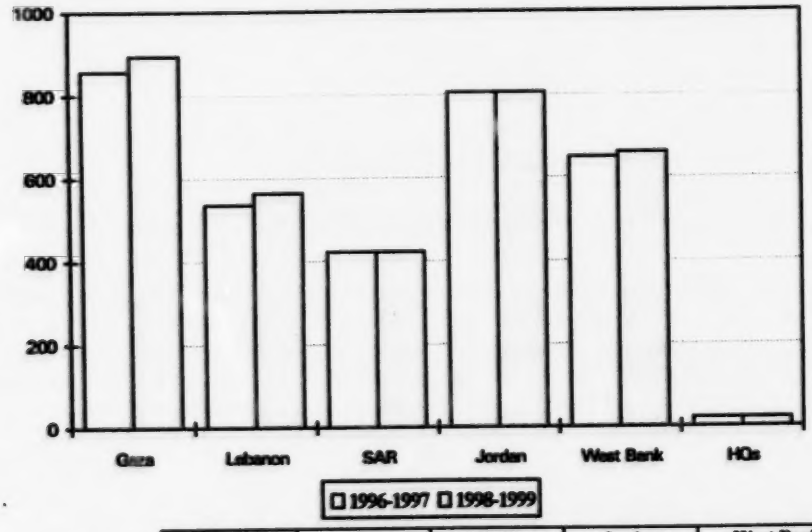
105. In order to keep services from deteriorating any further, additional staff are needed simply to maintain the Agency's already strained health care facilities at their current level.

106. Lack of funds during the last two years for the environmental health programme has meant that the sanitation labour force has fallen below the Agency's norms in all five Fields, leading to a build-up of solid waste in the camps and increasing the risk of outbreak of disease. It has also meant that the available staff have had to compensate for the deficit in the labour force. This is an area that needs to be addressed in the biennial budget.

107. Overall staff costs represent 50 per cent of the total health programme budget, whereas the cost of health services administration for all subprogrammes represents less than 4 per cent of the total.

108. Figure 9 shows the number of area staff in the health programme for the biennium 1998-1999 as compared to 1996-1997.

Figure 9. Number of area staff in the health programme



	Gaza	Lebanon	SAR	Jordan	West Bank	HQs	Total
1996-1997	856	535	421	804	647	21	3,284
1998-1999	893	563	421	804	657	21	3,359

109. Services, in table 11, show the cost for external services purchased. One major item is the Agency's hospitalization programme (see below under hospital services). The budgeted increase for services is mainly to take account of increased needs for hospitalization.

110. Supplies purchased includes two major items: medical supplies used in the various subprogrammes within the health programme, and basic commodities used mainly for feeding within the nutrition and supplementary feeding programme. The latter is received as an in-kind donation.

111. Construction and equipment is budgeted at a very low level. The long-term trend is of concern: UNRWA is not able to construct and equip health centres to the extent needed, although it has been possible to offset this to some degree with PIP funds.

112. Grants and subsidies are mainly subsidies paid to patients for hospitalization and form part of that programme (see below under hospital services).

113. The increase between the 1996-1997 estimated expenditures and the proposed 1998-1999 budget is 26 per cent and is needed to meet the refugee community's health needs.

114. An essential precondition for the 1998-1999 budget is the renewal of the 1996-1998 European Community-UNRWA Convention on, inter alia, the health programme. Essential primary health care services, especially the family health programme, would either have to be incorporated into the General Fund, thus facing the risk of a funding shortfall, or be cancelled, which would result in the total collapse of the most cost-effective component of the health programme.

1. Medical care services

115. Overall medical services are provided through a network of 121 primary health care facilities in and outside the camps. The distribution of those facilities in the five Fields of operations is as follows: 23 in Jordan, 25 in Lebanon, 22 in the Syrian Arab Republic, 34 in the West Bank and 17 in Gaza. During the period 1990-1996, the number of medical consultations provided from those facilities increased from 3.9 million to 5.1 million, or about 31 per cent. The increase in service utilization, however, was not matched by a concomitant increase in staff.

116. The allocation of expenditures for medical care services across the five Fields is given in table 12.

Table 12. Medical care services

(Thousands of United States dollars)

	1996-1997 Approved Budget			1996-1997 Estimated Expenditures			1998-1999 Proposed Budget		
Field	Cash	In kind	Total	Cash	In kind	Total	Cash	In kind	Total
Gaza	16 745	4	16 749	15 512	3	15 515	22 214	4	22 218
Lebanon	12 383		12 383	15 490		15 490	17 969		17 969
Syrian Arab Republic	7 072	13	7 085	4 978	9	4 987	6 061	12	6 073
Jordan	14 224		14 224	12 528		12 528	13 615		13 615
West Bank	18 810	36	18 846	15 486	12	15 498	18 781	14	18 795
Subtotal	69 234	53	69 287	63 994	24	64 018	78 640	30	78 670
Headquarters costs	6 952	1 685	8 637	840	837	1 677	1 106	604	1 710
Total	76 186	1 738	77 924	64 834	861	65 695	79 746	634	80 380

117. The provision of services between the five Fields varies according to the availability of government or non-government facilities that are accessible to refugees at affordable cost. In Lebanon, for example, the public health sector is weak and not accessible to the Palestine refugees, which explains why the share of total medical care expenditures is higher for Lebanon when compared to the number of refugees.

118. Primary health care facilities provide a full range of medical care services that are integrated in a comprehensive manner. They comprise out-patient care; dental care; diagnostic and support services; specialist care with emphasis on gynaecology/obstetrics, cardiology and paediatrics; special care for non-communicable diseases, especially diabetes mellitus and hypertension; maternal and child health care, and family planning services.

119. These services at the primary level are complemented by essential secondary care either through contractual arrangements with non-government hospitals or through partial reimbursement of costs incurred by refugees for treatment at government hospitals. Selective tertiary care is provided through partial contributions towards the cost of emergency life-saving treatment such as cardiac surgery.

120. The breakdown of the medical care budget by subprogramme is as follows:

Subprogramme	Thousands of United States dollars	Percentage
General clinic services	31 632	39.4
Hospital services	21 454	26.7
Pharmacy services	12 852	16.0
Laboratory services	2 710	3.3
Dental care	3 122	3.9
Other services	3 691	4.6
Administration	4 919	6.1
Total	80 380	100.0

Based on 1998 budget estimates, all of these medical services will be provided at an average per capita cost of $11.76 for medical services Agency-wide.

General clinic services (budgeted amount, $31,632,000)

121. General clinic services, including out-patient medical care, disease prevention and control, maternal and child health care and family planning services, are provided through a network of 121 primary health care facilities operating in the five Fields, comprising 88 health centres, 23 health points and 10 maternal and child health clinics.

122. Services cover the full range of preventive and curative medical care and are provided through three main programmes: family health, out-patient medical care, and disease prevention and control.

123. Refugees make substantial contributions towards the cost of medical care, covering, for example, as much as 50 to 70 per cent of the cost of specialized medical investigations and prosthetic appliances.

124. The medical care budget, by and large, covers the cost of medical, nursing, paramedical and other support staff employed in health centres, as well as consumable supplies other than pharmaceuticals. As stated earlier, more health care workers are needed simply to avoid a further increase in the workload in UNRWA clinics, let alone to improve the situation. The average workload per doctor per day exceeds 100 medical consultations.

125. In addition to the provisions available under the General Fund, additional funding is available for sustaining and expanding the family planning programme in accordance with the 1996-1998 European Community-UNRWA Convention. Unless these additional provisions continue to be made available during the second period of the 1998-1999 budget cycle, staff assigned to the family health programme will have to be terminated or their costs incorporated into the General Fund, as these are not included in the proposed budget.

126. Programme priorities during the biennium 1998-1999 will be: preserving the sustainable investment that has been made in developing an effective family health programme; expanding family planning services, and developing the current programmes for control of communicable and non-communicable diseases with

special emphasis on development of appropriate management protocols and of human resources for health through continuing in-service training.

Hospital services (budgeted amount, $21,454,000)

127. In addition to the services provided at the primary level, UNRWA aims, in principle, at providing essential in-patient medical services to the refugee population at its own facilities, at local contracted hospitals or through partial reimbursement of costs incurred by refugees for treatment at government or private hospitals.

128. Provision of hospital services between the five Fields varies according to the availability of government or non-government hospital facilities that are accessible to refugees at nominal or affordable cost. In Lebanon, for example, the public health sector is weak and not accessible to refugees.

129. The increase in hospitalization expenditures between 1996-1997 and the 1998-1999 budget is nearly $6 million, of which $4.4 million is for Lebanon. Additional funds are needed to maintain hospital services at the current level in Lebanon, where hospitalization has been paid for by extrabudgetary contributions that may not be available to the Agency during 1998-1999.

130. Patient participation in the cost of hospital services ranges between 12 per cent in Gaza and the Syrian Arab Republic to 25 per cent in the West Bank and 40 per cent in the case of individual reimbursements. Co-payment can reach more than 70 per cent for specialized treatment.

Pharmacy services (budgeted amount, $12,852,000)

131. Essential medical supplies based on a standard list (medical supplies catalogue) are provided to patients treated at UNRWA primary health care facilities. Essential medical supplies are purchased on the international market through competitive bids submitted by prequalified manufacturers whose products meet the criteria of the Good Manufacturing Proactive practice based on WHO's Certification Scheme on the Quality of Pharmaceutical Products Moving in International Commerce.

132. Budget allocations for medical supplies are based on standard norms that are determined from standard catalogue prices and the actual number of attendances at general clinics expressed in units of 100 attendances.

133. The average per capita cost of medical supplies based on 1996 expenditure was $0.99 excluding staff costs, and $1.19 including staff costs.

134. The increase in the budget for medical supplies is the result of the severe austerity measures undertaken during 1996-1997. It has not been possible to maintain supplies at the authorized level. In addition, a higher expenditure level is needed to keep pace with the growing population, increased demand and rising international prices.

Laboratory services (budgeted amount, $2,710,000)

135. Laboratory services are provided thorough a network of 88 laboratories integrated within the Agency's health centres; 21 laboratories are in Jordan, 21 in the West Bank, 15 in Lebanon, 18 in the Syrian Arab Republic and 13 in Gaza.

136. The budget for laboratory services is prepared on the basis of past expenditures and covers mainly the cost of chemical reagents, kits and consumable supplies.

137. Based on 1996 expenditure, the average Agency-wide cost of a laboratory test performed at UNRWA facilities, inclusive of staff and materials, is $0.45.

Dental care services (budgeted amount, $3,122,000)

138. The main emphasis of oral health services is on early detection and management of dental diseases among groups at risk, especially children and pregnant women. The Agency also promotes dental health through active community education focused on dental hygiene and use of toothpastes containing fluoride.

139. Services are provided through 71 dental clinics integrated within the larger health centres and supported by eight mobile units providing community oral health services. There are 14 dental clinic and 3 mobile units in Jordan, 17 dental clinics in Lebanon, 11 dental clinics and 1 mobile unit in the Syrian Arab Republic, 18 dental clinics and 1 mobile unit in the West Bank, and 11 dental clinics and 3 mobile units in Gaza.

140. The budget covers staff costs, supplies and consumables used in the programme and is based on past expenditure.

141. The per capita cost of dental care based on 1996 expenditure was $0.46 excluding staff costs, and approximately $3.0 including staff costs.

Maternity services (budgeted amount, $1,327,000)

142. Intra-partum care is provided mainly in the Gaza Strip and to a lesser degree in the West Bank. There are seven maternity units in Gaza that are integrated within the main health centres; six are operational. The new unit has not started functioning because of the non-availability of funds for running costs. In the West Bank there is only one small maternity unit, in Nur Shams camp.

143. The budget for maternity services covers the cost of staff assigned to maternity units in the West Bank and Gaza Strip, mainly for midwives and other auxiliary staff, as well as for supplies and consumables. No increase in the cost of these services is envisaged during the biennium 1998-1999.

School health services (budgeted amount, $834,000)

144. School health services are either integrated within the health centres, especially in camps, or are provided by health teams serving schools in urban and rural areas which are out of reach of UNRWA's health centres.

145. School health services comprise thorough medical examinations of new entrants for early identification of health problems, the screening of schoolchildren for major morbidity conditions, booster immunizations, promotion of good health practices and a healthy environment.

146. About 450,000 pupils are currently enrolled in the Agency's elementary and preparatory schools. These children, aged 6 to 16 years, constitute a vulnerable group in need of health care, supervision, promotion and protection. During the 1995-1996 school year, 52,000 new entrants were enrolled in UNRWA elementary schools and received thorough medical examinations and follow-up.

147. The budget covers mainly the cost of school health teams. School health services provided by health centre medical officers are an integral part of the primary health care activities in camps.

Mental health (budgeted amount, $816,000)

148. Studies carried out in the area of operations, especially in Lebanon, the West Bank and the Gaza Strip, suggest that mental and psychological problems are highly prevalent among the Palestine refugee population, especially among children who are exposed to stress and violence.

149. A community mental health programme was established in each Field in 1994. The programme was not cost-effective and was later suspended because the resources allocated to it were far short of the actual need. However, a modest programme which was established in the West Bank in collaboration with WHO during the intifada was later taken over by UNRWA and is being maintained.

150. The budget covers mainly the cost of psychotropic drugs used in the treatment of patients by health centre medical officers or referred by specialists.

Tuberculosis control (budgeted amount, $127,000)

151. Tuberculosis control activities are shared between UNRWA and the ministries of health of the host authorities. The incidence of the disease has been reduced from more than 40 cases per 100,000 in 1966 to about two cases per 100,000 through 1996, thanks to the high immunization coverage with BCG vaccine, active surveillance and treatment.

152. The budget for the tuberculosis control programme covers the cost of drugs used to treat patients.

Health education (budgeted amount, $587,000)

153. The health education programme aims at promoting a healthy lifestyle through a planned set of activities aimed at various target groups in the camps as well as at Agency installations in and outside camps, including schools, clinics, women's centres and youth activity centres. The programme is carried out by health education supervisors and health education workers who maintain close coordination and collaboration with other staff in the Fields.

154. Each year, work plans are developed for activities in health centres, schools and the community. Health education staff play a crucial role in the coordination of sectoral activities, follow-up on the implementation of the approved plans, assistance to other staff in the use of appropriate communication techniques, and distribution of educational materials.

155. The budget for health education covers mainly staff and the cost of educational material.

2. Environmental health

156. Environmental health services are provided to over 1.1 million refugees residing in 59 official camps in the five Fields of operation.

157. The services include sewage disposal, management of storm water run-off, provision of safe drinking water for domestic use, collection and disposal of solid waste, and control of insect and rodent infestation.

158. Most of the improvements in environmental health conditions inside the refugee camps were until recently based on low-cost, low-technology projects, such as construction of surface drains and the paving of pathways, and were carried out by the refugees themselves through Agency-assisted self-help programmes. The Agency provides construction materials for these projects and the refugees provide voluntary labour. The refugees' contribution towards these improvements is estimated at about 60 per cent of the total cost.

159. In Lebanon, the West Bank and the Gaza Strip, where the needs are greater, planning for and implementation of development projects were given priority. A marked improvement in the physical infrastructure of the camps was achieved through extrabudgetary resources for specific projects funded under the Expanded Programme of Assistance (EPA) and later through PIP.

160. The allocation of expenditures for environmental health across the five Fields is shown in table 13.

Table 13. Environmental health

(Thousands of United States dollars)

	1996-1997 Approved Budget			1996-1997 Estimated Expenditures			1998-1999 Proposed Budget		
Field	Cash	In kind	Total	Cash	In kind	Total	Cash	In kind	Total
Gaza	6 862		6 862	6 735		6 735	8 865		8 865
Lebanon	3 146		3 146	3 936		3 936	4 491		4 491
Syrian Arab Republic	1 246		1 246	877		877	1 099		1 099
Jordan	4 188		4 188	3 688		3 688	4 687		4 687
West Bank	3 924	138	4 062	3 231	122	3 353	3 838	138	3 976
Subtotal	19 366	138	19 504	18 467	122	18 589	22 980	138	23 118
Headquarters costs	578		578	70		70	92		92
Total	19 944	138	20 082	18 537	122	18 659	23 072	138	23 210

Solid waste disposal (budgeted amount, $20,819,000)

161. Solid waste collection and disposal in camps is carried out by Agency staff, using modest equipment suited to local conditions and circumstances. Solid waste is collected and transported to concrete dumping platforms or large containers for subsequent transport to final dumping sites by UNRWA skip-lifts or compactor trucks or by municipal or contractor vehicles.

162. This activity is very labour intensive, and staff costs are the major expenditure. In order to bring the sanitation labour force up to Agency norms in all five Fields, an additional $2.2 million is needed. Should an increase in the labour force not be possible because of shortage of funds, there is a high risk that the level of hygiene in the camps will deteriorate further, with an ensuing higher risk of outbreak of disease.

163. Mechanization is gradually being expanded, commensurate with additional funds that become available to cover the cost of vehicles and matching containers. Currently, 33 camps are served by Agency mechanized equipment and 25 are served through contractual arrangements with either municipalities or private contractors.

164. The budget for solid waste disposal covers mainly, except for salaries, the cost of protective clothing for sanitation labourers, minor equipment and tools, running costs for Agency equipment and provision for contractual agreements.

Water supply (budgeted amount, $1,160,000)

165. Most of the camps are connected to municipal water systems; a few are served by deep wells drilled by the Agency to supplement the water supply. The quality of water is regularly monitored by daily disinfection with chemicals and bacteriological testing at public health laboratories.

166. The budget covers mainly the cost of chemicals for disinfection of water, laboratory testing for quality control, minor equipment and fuel, and provision for the maintenance of existing networks or replacement of corroded pipes.

Sewage and drainage disposal (budgeted amount, $246,000)

167. Facilities for the disposal of domestic waste water and drainage of storm water run-off in camps are mainly limited to surface drains constructed by the refugees themselves through UNRWA-assisted self-help projects which included construction of pit-privy latrines. Because of inadequate flow in the dry season, these drains represented a health hazard and generated offensive odours and fly and mosquito infestation; in the rainy season they flooded pathways and public places, increasing the risk of water-borne disease.

168. The budget covers mainly the construction of additional surface drains, connection of refugee shelters to internal sewer networks and maintenance of existing facilities.

Insect and rodent control (budgeted amount, $159,000)

169. Chemical control of rats, mice and domestic flies is carried out by sanitation labourers through regular insecticide spraying in breeding places, as well as through selective use of rodenticides.

3. Nutrition and supplementary feeding

170. Supplementary feeding in the form of dry rations is provided to pregnant women and nursing mothers who require food supplementation because of their physiological needs and the high prevalence of iron deficiency anaemia. Instant milk/baby cereal which used to be provided to non-breast-fed children 6 to 24 months old was discontinued.

171. The allocation of expenditures across the five Fields is given in table 14.

Table 14. Nutrition and supplementary feeding

(Thousands of United States dollars)

Field	1996-1997 Approved Budget			1996-1997 Estimated Expenditures			1998-1999 Proposed Budget		
	Cash	In kind	Total	Cash	In kind	Total	Cash	In kind	Total
Gaza	61	8 094	8 155	8	5 687	5 695	10	7 947	7 957
Lebanon	75	1 757	1 832	94	1 220	1 314	107	1 902	2 009
Syrian Arab Republic	14	2 084	2 098	10	1 372	1 382	12	1 956	1 968
Jordan	10	4 757	4 767	9	3 215	3 224	11	5 762	5 773
West Bank	46	4 486	4 532	38	3 336	3 374	45	3 780	3 825
Subtotal	206	21 178	21 384	159	14 830	14 989	185	21 347	21 532
Headquarters costs									
Total	206	21 178	21 384	159	14 830	14 989	185	21 347	21 532

172. The budget for the supplementary feeding programme covers mainly the cost of food commodities, which are provided in kind by donors such as the European Union and Japan.

173. The entire programme is currently under revision by UNRWA and the European Union. If the donor declines to maintain the supplementary feeding programme, the most appropriate option would be to redeploy funds towards sustaining essential primary health care services.

Other costs

174. Included in the figures for the health programme are its administrative costs, covering such expenses as programme management and development. These tasks are carried out at headquarters and in the five Fields. Administrative costs within the programme amount to $5 million, or less than 4 per cent of the total biennial costs.

175. Not reported under the health programme are costs for services the programme draws from operational services, mainly in the form of purchase activities, distribution of goods, and staff and technical support. These costs are difficult to allocate as they are shared services, but is estimated that about 24 per cent can be allocated to the health programme, which would correspond to approximately $10.9 million in the 1998-1999 biennial budget.

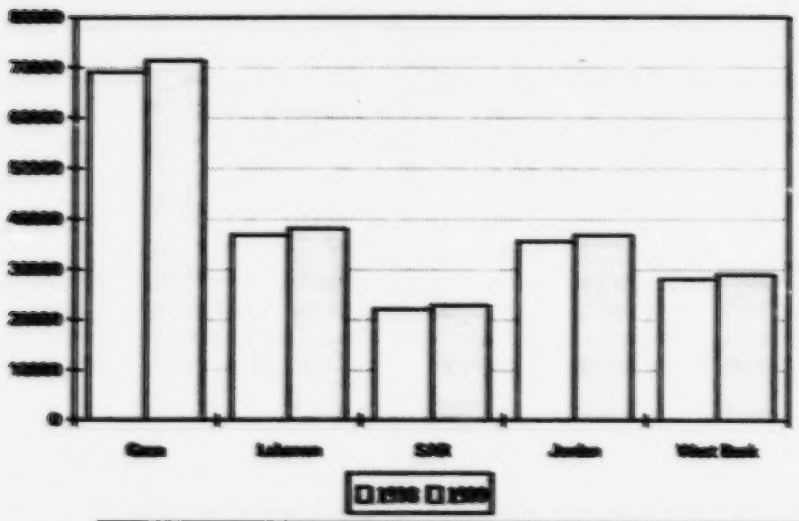
C. Relief and social services programme

176. The relief and social services programme is the third of the Agency's three programmes, to which 12.8 per cent of the Agency's expenditure and 3 per cent of the staff is allocated.

177. The mission of the relief and social services programme is to support those Palestine refugees who suffer the greatest socio-economic disadvantage and to facilitate their self-reliance. This is done by providing material or financial aid to the most destitute refugees (relief) and by supporting community development and poverty alleviation schemes (social services). The programme is also responsible for the Agency's registration services.

178. At 30 June 1997, 185,000, or 5.4 per cent, of the 3.4 million refugees registered with the Agency were receiving assistance through relief services. The highest relative proportion, as expected, is to be found in Lebanon and Gaza and the lowest in Jordan. The expected number of refugees that meet the Agency's criteria for classification as special hardship cases (SHCs) are shown in figure 10.

Figure 10. Number of special hardship cases

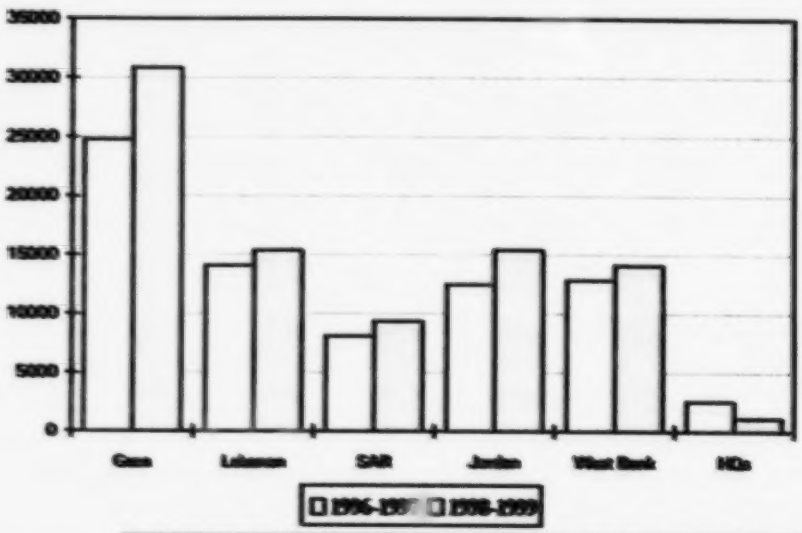


	Gaza	Lebanon	SAR	Jordan	West Bank	Total
1998	69,147	36,818	22,028	35,574	28,016	191,583
1999	71,445	38,187	22,759	36,819	28,937	198,147

179. The estimated cost of the relief and social services programme is $86.2 million for the biennium 1998-1999. The budget for 1996-1997 was $74.6 million. Figure 11 shows the relief and social services programme budget by Field for the biennium 1998-1999 compared to the 1996-1997.

Figure 11. Relief and social services programme budget

(Thousands of US dollars)



	Gaza	Lebanon	SAR	Jordan	West Bank	HQs	Total
1996-1997	24,756	14,019	8,042	12,423	12,820	2,539	74,599
1998-1999	30,857	15,367	9,329	15,418	14,071	1,164	86,206

180. A breakdown based on the type of expenditures is given in table 15.

Table 15. Relief and social services expenditures by category

(Thousands of US dollars)

Expenditure Category	1996-1997 Approved Budget			1996-1997 Estimated Expenditure			1998-1999 Proposed Budget		
	Cash	In kind	TOTAL	Cash	In kind	TOTAL	Cash	In kind	TOTAL
International staff costs	1 475		1 475	2 066		2 066	1 736		1 736
Area staff costs	13 570		13 570	12 669		12 669	12 805		12 805
Services	1 304		1 304	760		760	958		958
Supplies purchased	424	47 143	47 567	297	28 869	29 166	241	35 360	35 601
Construction and equipment	162		162	783		783	78		78
Premises	88	39	127	95	123	218	87	185	272
Grants and subsidies	10 847		10 847	9 980		9 980	34 773		34 773
Internal adjustments	(453)		(453)	(429)		(429)	(17)		(17)
Total	27 417	47 182	74 599	26 221	28 992	55 213	50 661	35 545	86 206

181. The reduction in international staff costs between 1996-1997 and 1998-1999 will be achieved through the gradual conversion of posts from international to area.

182. Area staff costs remain virtually unchanged, despite the above-mentioned conversion, as the result of a reduction in the number of caseworkers in the special hardship programme.

183. The expenditure on supplies will increase significantly over the years because of the increase in the number of beneficiaries, as well as inflation.

184. A significant increase is budgeted for grants and subsidies. Approximately $13.2 million of the total and $12.4 million of the increase is for shelter rehabilitation, for which the Agency provides the construction materials and the refugees contribute the labour. Over the last few years this activity has been transferred to PIP because of severe financial restrictions in the regular budget. An urgent need therefore exists to increase this activity.

185. Another $12.5 million is related to cash subsidy in lieu of food commodities (see paras. 194-195). This is an increase of $9.5 million over the estimate for 1996-1997 and is a direct result of the introduction of cash in lieu of food, which was introduced in early 1997.

186. A further $5 million is related to selective cash assistance.

187. The remaining $4 million is mainly related to institution-building and poverty alleviation within social services.

188. The relief and social services programme expenditure is divided into subprogrammes, as shown in table 16.

Table 16. Relief and social services expenditures by subprogramme

(Thousands of US dollars)

Subprogramme	1996-1997 Approved Budget			1996-1997 Estimated Expenditure			1998-1999 Proposed Budget		
	Cash	In kind	TOTAL	Cash	In kind	TOTAL	Cash	In kind	TOTAL
Registration services	2 059		2 059	2 209		2 209	2 154		2 154
Relief services	12 341	47 166	59 507	11 739	28 983	40 722	34 773	35 533	70 306
Social services	5 303	16	5 319	4 742	9	4 751	6 123	12	6 135
Programme management	7 714		7 714	7 531		7 531	7 611		7 611
Total	27 417	47 182	74 599	26 221	28 992	55 213	50 661	35 545	86 206

1. Registration services

189. Registration services are responsible for recording the whereabouts of and the births, deaths and marriages among the registered refugees and for vetting their eligibility for various UNRWA services. These records are entered into an electronic database, the Unified Registration System, which was established in 1995 at Amman headquarters and is gradually being installed in all Fields to support eligibility and registration for relief and social services. It brings together an informative database on the demographic characteristics of the Palestine refugee population and the socio-economic characteristics of the special hardship case families.

190. The allocation of expenditures for registration services is given in table 17.

Table 17. Registration services

(Thousands of US dollars)

Field	1996-1997 Approved Budget			1996-1997 Estimated Expenditure			1998-1999 Proposed Budget		
	Cash	In kind	TOTAL	Cash	In kind	TOTAL	Cash	In kind	TOTAL
Gaza	592		592	680		680	661		661
Lebanon	384		384	450		450	398		398
Syrian Arab Republic	179		179	139		139	152		152
Jordan	452		452	456		456	473		473
West Bank	452		452	484		484	470		470
Subtotal	2 059		2 059	2 209		2 209	2 154		2 154
Headquarters costs									
Total	2 059		2 059	2 209		2 209	2 154		2 154

191. The cost of registration services covers staff almost exclusively. No major change in basic activities is foreseen. However, if funding outside the regular budget can be secured, a much-needed upgrading of the current Unified Registration System is envisaged during the biennium at an estimated cost of $6.7 million.

2. Relief services

192. The relief services programme provides direct material and financial aid to those refugee families without a male adult medically fit to earn an income and without other identifiable means of financial support sufficient to cover food, shelter and other basic needs. In emergencies this aid is extended to affected communities, refugee and non-refugee, as a temporary relief measure. The programme consists of the main subprogramme and associated activities shown in table 18.

Table 18. Relief services expenditures by subprogramme

(Thousands of US dollars)

	1996-1997 Approved Budget			1996-1997 Estimated Expenditure			1998-1999 Proposed Budget		
Subprogramme	Cash	In kind	TOTAL	Cash	In kind	TOTAL	Cash	In kind	TOTAL
Special hardship assistance	2 150		2 150	1 198		1 198	2 101		2 101
Food support	0	47 113	47 113	1 025	28 950	29 975	13 570	35 495	49 065
Shelter rehabilitation	1 748		1 748	1 556		1 556	13 113		13 113
Selective cash assistance	6 016		6 016	5 139		5 139	5 178		5 178
Other	2 427	53	2 480	2 821	33	2 854	811	38	849
Total	12 341	47 166	59 507	11 739	28 983	40 722	34 773	35 533	70 306

Special hardship assistance

193. Families entitled to special hardship assistance receive family casework and counselling from social workers and material aid in the form of food support, shelter rehabilitation and selective cash assistance.

Food support (budgeted amount, $49,065,000)

194. The aim of the food support programme is to ensure minimum standards of nutrition to special hardship cases. Food support consists of five basic commodities: flour, rice, sugar, oil, and milk powder, and a cash subsidy for the local purchase of fresh food. The exception is Lebanon, where cash is not yet distributed. In-kind expenditures represent donations received, mainly from the European Union and Japan; cash expenditures are mainly related to cash subsidies.

195. Because of the conversion to cash subsidies in lieu of food, cash expenditure has increased compared to both the budget and the expected expenditures for 1996-1997. This has been funded by increased cash contributions from the European Union instead of in-kind donations.

196. A quality control laboratory ensures that the commodities used in the Agency's food-aid programmes meet specifications and are properly stored and handled.

Shelter rehabilitation (budgeted amount, $13,113,000)

197. Special hardship families who live in housing which fails to meet minimum standards of safety, space, weatherproofing and hygiene may qualify for shelter rehabilitation assistance. Those whose shelters are in need of rehabilitation are currently estimated at 25 per cent of all special hardship case families in all Fields, except the West Bank where the estimate is 20 per cent.

198. It is not within the Agency's means to meet this need. Heretofore, the General Fund budget has not allowed for the rehabilitation of more than 0.5 per cent of shelters annually. To some extent, the financial restrictions imposed on the Agency in this area has been offset in recent years by additional funding under PIP.

199. Given the need, a realistic objective should be to finance rehabilitation of 2.5 per cent of shelters (2 per cent in the West Bank) a year over a 10-year period. In order to cover this, an additional $6 million above the expected expenditures for the current biennium is required for each year of the 1998-1999 biennium.

200. The costs cover mainly construction material; the refugees themselves contribute most of the labour.

Selective cash assistance to families in crisis (budgeted amount, $5,178,000)

201. Selective cash assistance is provided to special hardship families in extreme need. On average, it is estimated that 25 per cent of these special hardship families will need cash assistance, amounting to an average $200 per family per year.

202. The allocation of relief services across the Fields is given in table 19.

203. The allocation among the Fields is determined by differences in the socio-economic situation of the refugees in the different Fields, which account for the high proportion of expenditures incurred in Gaza and Lebanon.

Table 19. Relief services expenditures by Field

(Thousands of US dollars)

Field	1996-1997 Approved Budget			1996-1997 Estimated Expenditure			1998-1999 Proposed Budget		
	Cash	In kind	TOTAL	Cash	In kind	TOTAL	Cash	In kind	TOTAL
Gaza	4 166	16 271	20 437	4 623	9 921	14 544	12 753	12 582	25 335
Lebanon	2 044	9 850	11 894	1 779	6 052	7 831	5 597	7 327	12 924
Syrian Arab Republic	1 500	5 376	6 876	1 313	3 310	4 623	4 232	4 029	8 261
Jordan	2 314	7 998	10 312	1 677	5 060	6 737	6 637	6 477	13 114
West Bank	2 227	7 671	9 898	2 305	4 640	6 945	5 496	5 118	10 614
Subtotal	12 251	47 166	59 417	11 697	28 983	40 680	34 715	35 533	70 248
Headquarters costs	90		90	42		42	58		58
Total	12 341	47 166	59 507	11 739	28 983	40 722	34 773	35 533	70 306

3. Social services

204. The purpose of developmental social services is to promote self-reliance among disadvantaged Palestine refugees through poverty alleviation schemes and community-based, locally-managed institutions and services concerned with women and development, the rehabilitation and integration of refugees with disabilities, and youth activities and leadership training. In particular, such opportunities are made available to members of families enrolled in the special hardship programme.

205. The programme consists of the subprogrammes shown in table 20, with corresponding expenditures.

Table 20. Social services expenditures

(Thousands of US dollars)

Subprogramme	1996-1997 Approved Budget			1996-1997 Estimated Expenditure			1998-1999 Proposed Budget		
	Cash	In kind	TOTAL	Cash	In kind	TOTAL	Cash	In kind	TOTAL
Community development	162		162	40		40			
Institution-building:									
Disability programme	1 228	16	1 244	1 197	9	1 206	1 436	12	1 448
Youth activities	265		265	239		239	240		240
Women in development	951		951	1 058		1 058	1 099		1 099
Poverty alleviation	2 620		2 620	2 158		2 158	3 179		3 179
Other costs	77		77	50		50	169		169
Total	5 303	16	5 319	4 742	9	4 751	6 123	12	6 135

Community development

206. The aim of this subprogramme is to empower target groups of refugees to articulate their own priority socio-economic needs, to identify or develop locally appropriate and feasible means of meeting those needs, and to secure locally sustainable funding.

Institution-building

207. Under this subprogramme the aim is to ensure that, by the end of 1999, all women's programme centres, community rehabilitation centres and youth activity centres in the West Bank and Gaza sponsored by UNRWA will be managerially and financially self-sustainable.

Community-based rehabilitation and integration of persons with disabilities, (budgeted amount, $1,448,000)

208. It is estimated that 3.5 per cent of the refugees must cope with a handicapping disability. UNRWA's contribution to their rehabilitation and integration within the disability programme is to sponsor a community-based approach. Thirty centres and programmes Agency-wide offer rehabilitation activities at the centres and through home outreach programmes, facilitate referral to specialist services and integration into mainstream schooling and employment, and promote community awareness of and responsiveness to the needs and rights of persons with disabilities.

Youth activities (West Bank and Gaza) (budgeted amount, $240,000)

209. In the West Bank and Gaza, UNRWA continues to give modest support to 25 community-managed youth activity centres, which in 1997 catered to 11,920 young men and, increasingly, young women. Principally concerned with sports, cultural activities, compensatory education for early school leavers, civic education and leadership training, the centres are also actively involved in community improvement and development campaigns and in leading summer camps and out-of-school programmes for younger children.

210. In the other three Fields, the Agency sponsors summer camps for disadvantaged school-age children, with and without disabilities, in association with local non-governmental organizations.

Women in development (budgeted amount, $1,099,000)

211. The objective of this subprogramme is to achieve measurable improvements in the capacity of disadvantaged women to cope effectively with family and socio-economic needs and to play a greater role in the development of their own communities.

212. The programme is the focal point of the Agency's endeavour to meet the socio-economic needs of disadvantaged Palestine refugee women. Seventy-one centres Agency-wide had 14,200 active participants by mid-1997. A particular effort is made to reach women from special hardship families, 26 per cent of which are headed by women, compared to 8 per cent of households in the refugee population at large.

213. The 1998-1999 budget will support the provision/facilitation of:

- Self-funded skills-training related to identified income-earning opportunities and income conservation;

- Self-financing support services, such as a day-care centre, at each women's programme centre to assist women to participate in activities;

- Social, educational and cultural programmes designed to enhance women's role in the family and community, such as civic education, legal literacy and advice, community libraries, health and family life education, counselling and physical fitness.

Poverty alleviation (budgeted amount, $3,179,000)

214. The poverty alleviation subprogramme employs diverse strategies to assist disadvantaged refugees, especially women and families enrolled in the special hardship programme, to raise their economic status, through skills-training, income conservation and income-generating projects, including community-managed credit and savings schemes. It complements the Agency's income-generation programme by targeting refugees on or below the poverty line, with the aim of bringing them above it; the income-generation programme typically assists refugees already a little above the poverty line who have demonstrated entrepreneurial skills, with loans for somewhat larger-scale enterprises that can employ other refugees.

215. In 1998-1999, the poverty alleviation initiatives will target special hardship families in which sons approaching or above the age of 18 complete formal education/training, women are heads of household and male adults are employable but the family is facing exceptional difficulty, especially in Lebanon.

216. The subprogramme will also aim to double the number of self-managed group credit schemes in which a revolving fund can become a sustainable asset for the community.

Other costs

217. The management of the relief and social services programme consists of staff at headquarters in Amman, at an annual cost of approximately $0.6 million, plus staff in the Fields.

218. Not reported under relief and social services are costs for services drawn under operational services, mainly in the form of purchase activities, distribution of goods, and staff and technical support related to the rehabilitation of shelters. By nature those costs are difficult to allocate as they are shared services. It is estimated that about 24.6 per cent of the costs can be allocated to relief and social services, which would correspond to approximately $11.2 million for the biennium 1998-1999.

VII. OPERATIONAL SERVICES

219. The Agency's three substantive programmes are supported by a supply and transport operation and an architectural and civil engineering services group.

220. In addition to servicing the Agency's regular programmes, the operational services also support the extrabudgetary activities undertaken by UNRWA, such as PIP. This is a significant part of the activities of the architectural and civil engineering group. For this service the projects are charged programme support costs, which vary between 5 and 12 per cent depending on the type of project involved. This has in the past generated an income for the Agency up to $4 million per year.

221. A breakdown of the expenditures based on type of expenditure is given in table 21.

Table 21. Operational expenditures by category

(Thousands of US dollars)

Expenditure category	1996-1997 approved budget			1996-1997 estimated expenditures			1998-1999 proposed budget		
	Cash	In kind	Total	Cash	In kind	Total	Cash	In kind	Total
International staff costs	5 006		5 006	5 230		5 230	4 751		4 751
Area staff costs	21 435		21 435	19 331		19 331	19 537		19 537
Services	16 019	1 555	17 574	10 831		10 831	17 294	49	17 343
Supplies purchased	10 403	3 087	13 490	8 592		8 592	6 568		6 568
Construction and equipment	2 203		2 203	1 971		1 971	3 919		3 919
Premises	306		306	212		212	147		147
Grants and subsidies									
Internal adjustments	(9 922)		(9 922)	(9 616)		(9 616)	(6 764)		(6 764)
Total	45 450	4 642	50 092	36 551		36 551	45 452	49	45 501

222. The objective of the supply and transport operation is to provide the Agency's substantive programmes with the support necessary for their smooth and efficient operation. The supply function undertakes procurement in a timely fashion of the Agency's consumable supplies, equipment, auto spare parts, construction material, basic commodities and other supplies of reasonable quality and at the best available prices.

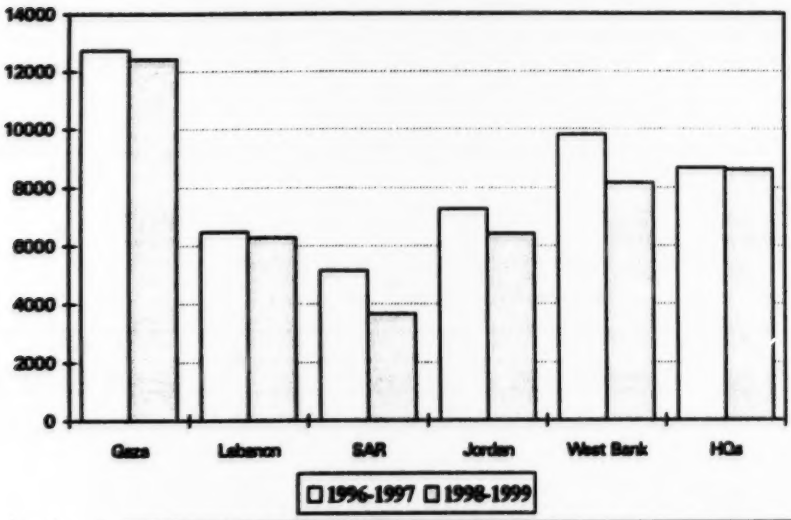
223. The service is also responsible for warehousing functions, delivery of supplies to their user destination, and freight and passenger transport services in the areas of operation. The Agency's fleet of vehicles is used for the transport of commodities and general cargo, for garbage collection, water distribution and sewage cleaning services, and for the transport services required by the education, health, and relief and social services programmes. The fleet is maintained by the Agency's vehicle maintenance staff.

224. The architectural and civil engineering group is responsible for the design of all new Agency facilities and for the maintenance of existing Agency premises.

225. Estimated costs for operational services in 1998-1999 amount to $45.5 million against an approved budget of $50.1 million for the biennium 1996-1997, as can be seen from figure 12.

Figure 12. Operational services budget

(Thousands of US dollars)



	Gaza	Lebanon	SAR	Jordan	West Bank	HQs	Total
1996-1997	12,730	6,478	5,154	7,255	9,813	8,662	50,092
1998-1999	12,404	6,283	3,662	6,406	8,151	8,595	45,501

226. Reported under headquarters in figure 12 are the central functions physically located at headquarters, including the central design function, international procurement and all vehicles purchased for the Agency. It should not be interpreted as an administrative function.

227. The decrease in international staff costs shown in table 21 will be achieved by the replacement of international staff with area staff.

228. Services consist of the main items shown in table 22.

Table 22. Services

(Thousands of US dollars)

Expenditure category	1996-1997 approved budget	1996-1997 estimated expenditures	1998-1999 proposed budget
Port charges	2 100	2 760	2 070
Maintenance	8 950	3 800	10 800
Contractual services	1 300	1 050	1 080
Hired freight transport	1 100	1 400	1 420
Travel and training	330	230	240
Insurance	410	420	500
Other services	3 384	1 171	1 233
Total	17 574	10 831	17 343

229. As can be seen from table 22, the expected increases compared to estimates for 1996-1997 are mainly due to an increase in the maintenance of premises, an area in which the preceding years' austerity measures have had grave consequences. Currently, the Agency is spending less than 0.5 per cent a year on maintenance, based on the construction costs of the premises. An increase in maintenance is an absolute necessity. A total increase of $6 million has therefore been included in the budget, bringing the value up to about 1.8 per cent of the construction value. Ideally, an amount of 3 to 4 per cent of the construction value should be allocated for maintenance.

230. Supplies purchased consist of the main items shown in table 23.

Table 23. Supplies purchased

(Thousands of US dollars)

Expenditure category	1996-1997 approved budget	1996-1997 estimated expenditures	1998-1999 proposed budget
Spare parts	1 310	1 260	1 500
Petrol, oil	1 440	1 390	1 670
Material for production units	4 010	3 760	1 470
Miscellaneous	6 730	2 182	1 928
Total	13 490	8 592	6 568

231. The expected reduction envisaged for the 1998-1999 biennial budget occurs mainly within the material for production units category, since the printing unit in Lebanon has been closed down.

232. The area of construction and equipment, as shown in table 21, has also been affected by the previous severe austerity measures. One item that was severely restricted was the renewal of the Agency's vehicle fleet. Vehicles have, of necessity, been retained beyond their expected lifetime, causing significant problems in the distribution of goods and personnel. A replacement programme for vehicles is therefore included in the budget for the 1998-1999 biennium at a total cost of $2.0 million.

233. The item on internal adjustments shown in table 21 is internal cost recovery and internal reallocation of costs.

234. As stated above, operational services support the programmes run by the Agency. An allocation of those costs to separate programmes is difficult and is by nature somewhat arbitrary, but a general approach based on usage gives the allocation shown in table 24.

Table 24. Operational services allocations

(Thousands of US dollars)

	Education programme	Health programme	Relief and social services programme	Other UNRWA	External (PIP, etc.)	Total
Supply and transport	4 063	8 326	8 706	5 531	1 967	28 593
Architectural and engineering	7 579	2 526	2 517	-	4 275	16 908
Total	11 642	10 852	11 223	5 531	6 242	45 501

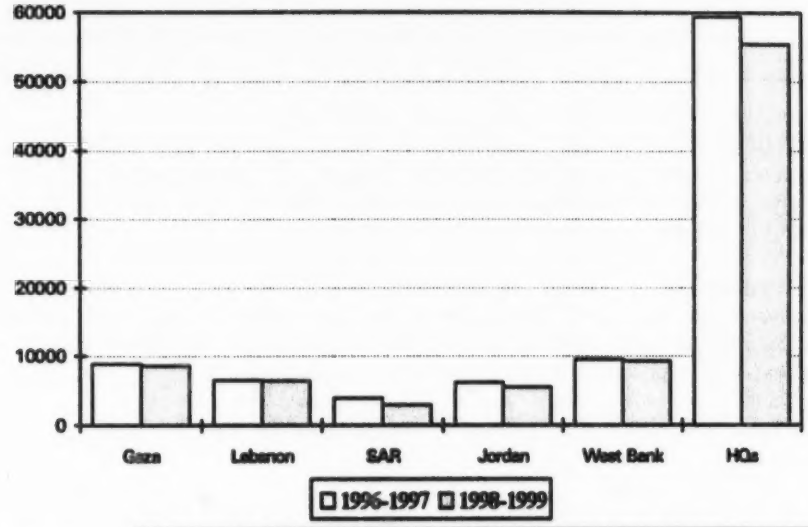
VIII. COMMON SERVICES

235. Common services support all programmes run by the Agency and cover two distinct areas: general management and administrative services. General management consists of the offices of the Commissioner-General, Deputy Commissioner-General, Field Directors, External Relations and Public Information, Internal Audit, Legal Affairs, and the Provident Fund Secretariat. Administrative services include Finance, Administration and Human Resources, and Information Systems.

236. The proposed budget for common services in 1998-1999 is $88.2 million, against a budget of $94.4 million in 1996-1997, as shown in figure 13.

Figure 13. Common services budget

(Thousands of US dollars)



	Gaza	Lebanon	SAR	Jordan	West Bank	HQs	Total
1996-1997	8,850	6,542	3,905	6,168	9,498	59,486	94,449
1998-1999	8,649	6,391	2,943	5,481	9,297	55,392	88,153

237. A breakdown based on the type of expenditures is given in table 25.

Table 25. Common services expenditures by category

(Thousands of US dollars)

Expenditure category	1996-1997 approved budget			1996-1997 estimated expenditures			1998-1999 proposed budget		
	Cash	In kind	Total	Cash	In kind	Total	Cash	In kind	Total
International staff costs	23 234		23 234	25 320		25 320	24 526		24 526
Area staff costs	39 546		39 546	26 530		26 530	23 994		23 994
Services	9 823		9 823	7 024		7 024	12 272		12 272
Supplies purchased	1 957		1 957	1 650		1 650	2 479		2 479
Construction and equipment	2 775		2 775	1 432		1 432	6 736		6 736
Premises	2 737	164	2 901	1 957	161	2 118	1 435	162	1 597
Grants and subsidies	215		215	96		96	84		84
Internal adjustments	(1121)		(1121)	(1 420)		(1 420)	0		0
Reserves	14 239		14 239	900		900	16 465		16 465
Total	94 285	164	94 449	63 479	161	63 640	87 991	162	88 153

238. International staff costs are budgeted to decrease in the 1998-1999 biennium as a result of the reduction in the number of international staff. As a consequence of the move of headquarters to the area of operations it has been possible to convert a number of posts to area posts.

239. The budgeted reduction in local staff costs is another consequence of the move of headquarters from Vienna. For the first six months of 1996, most of the local staff under headquarters common services were based in Vienna, at a significantly higher cost than in the area of operations.

240. Services consists of the main items shown in table 26.

Table 26. Services expenditures by category

(Thousands of US dollars)

Expenditure category	1996-1997 approved budget	1996-1997 estimated expenditures	1998-1999 proposed budget
Travel	2 330	1 810	2 400
Telecommunication	2 010	1 900	2 745
Training	490	180	895
International Atomic Energy Agency for payroll	350	340	220
External audit fees	200	200	245
Advertisement	190	190	415
Special service agreements	710	500	1 345
Contractual services	2 755	1 745	3 030
Other	788	149	977
Total	9 823	7 014	12 272

241. As can be seen in table 26, the main reasons for the budgeted increase in relation to 1996-1997 estimated expenditure are the following:

Travel ($0.6 million): mainly owing to the necessity of maintaining contact with interlocutors away from the area of operations;

Telecommunications ($0.8 million): mainly because of higher telephone charges in the area of operations and the need to maintain adequate communication between headquarters and the Fields;

Training ($0.7 million): austerity measures have not allowed the Agency to maintain its training programmes to cover additional training needs required from the move to Gaza;

Contractual services ($1.3 million): the increase relates mainly to services for upgrading the Agency's information systems (see para. 244);

Special service agreements ($0.8 million): the increase is mainly related to services for upgrading the Agency's information systems.

242. Reserves in table 25 is a technical item consisting to a large extent of expected salary increases ($12 million) over the biennium. These items will be allocated to the main programmes once they have been finalized. Expected salary increases are calculated at less than 2 per cent a year.

243. An allocation of the cost over the various Fields is shown in table 27.

Table 27. Common services expenditures by Field

(Thousands of US dollars)

Field	1996-1997 approved budget			1996-1997 estimated expenditures			1998-1999 proposed budget		
	Cash	In kind	Total	Cash	In kind	Total	Cash	In kind	Total
Gaza	8 850		8 850	7 418		7 418	8 649		8 649
Lebanon	6 542		6 542	5 790		5 790	6 391		6 391
Syrian Arab Republic	3 905		3 905	3 116		3 116	2 943		2 943
Jordan	6 004	164	6 168	5 183	161	5 344	5 319	162	5 481
West Bank	9 498		9 498	8 447		8 447	9 297		9 297
Subtotal	34 799	164	34 963	29 954	161	30 115	32 599	162	32 761
Headquarters costs	59 486		59 486	33 517		33 517	55 392		55 392
Total	94 285	164	94 449	63 471	161	63 632	87 991	162	88 153

244. Included in the common costs is an Agency-wide initiative to upgrade the information system. During the 1996-1997 biennium, the Agency carefully reviewed the need for this with external consultants. A plan has been established, including the following components (in millions of United States dollars):

Computer software	1.0
Computer hardware	2.1
Contractual services	1.1
Special service agreements	0.6
Miscellaneous	0.3
Total	5.1

245. Common services represent almost 13 per cent of total expenditures. However, this figure should be adjusted for expenditures included under common services that belong essentially to the programme areas. The main ones are (in millions of United States dollars):

Salary adjustment reserve	12.0
Equipment reserve	1.0
Guards for installations, etc.	4.4
Total	17.4

246. These adjustments will bring the expenditure down to about 10.5 per cent of the regular budget. If the upgrading of the information systems included in the biennium budget is considered an extraordinary measure, this would reduce the figure to some 9.9 per cent of the regular budget. However, as common services also cover the needs of the Agency's extrabudgetary activities, these are included in the calculation here. Over the last years these activities have been at a level of approximately $150 million for the biennium. In 1998-1999 this amount is expected to be approximately $100 million. The "adjusted" common services expenditure of $65.7 million would then represent approximately 8 per cent of the total expenditures of $795 million.

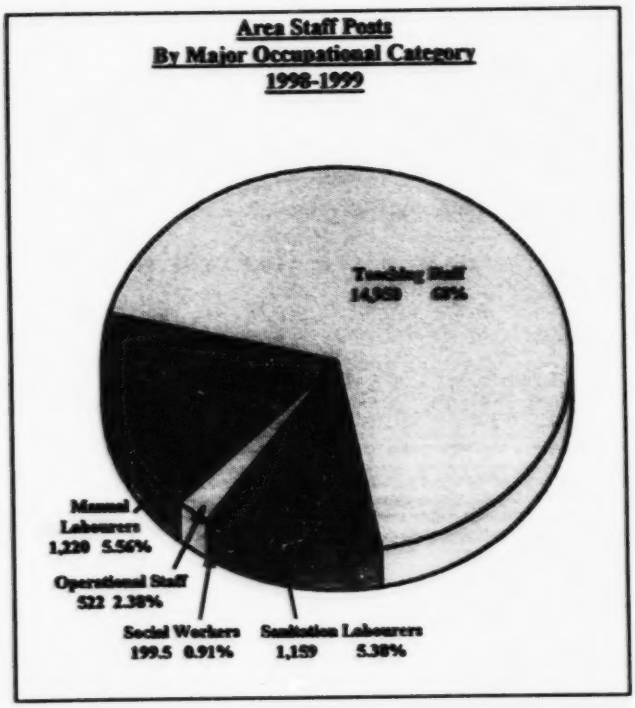
247. Included in the Agency's budget is a provision for termination indemnities for 22,000 area staff. This provision was requested by the Agency's major donors and host Governments in March 1995. In the biennium 1996-1997 it has not been financially possible for the Agency to provide for this. This provision has been revised downward from $12.7 million a year to $12.1 million a year to reflect the termination indemnities already paid to the area staff formerly based in Vienna who were separated upon the Agency's headquarters move.

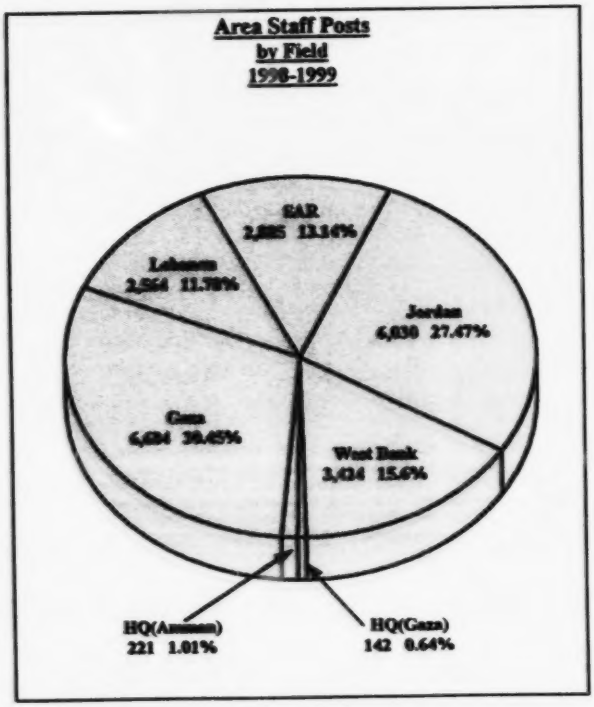
Annex I

1998-1999 General Fund budget: area staff posts by programme and field

Programme	Gaza	Lebanon	Syrian Arab Republic	Jordan	West Bank	Head-quarters	Grand total
Education	5 002*	1 563	2 131	4 848	2 187	66	15 797
Health services	893	563	421	804	657	21	3 359
Relief and social services	218	94	75	118	121	17	643
Income generation	21	2	1	1	15	0	40
Total relief and social services	239	96	76	119	136	17	683
Operational services	316	173	144	125	208	65	1 031
Common services	221	169	113	134	228	194	1 059
General protection and emergency services	13	0	0	0	8	0	21
Total common services	234	169	113	134	236	194	1 080
Grand total	6 684	2 564	2 885	6 030	3 424	363	21 950

* Includes 360 contract teachers.





Annex II

International staffing table as at August 1997

Post grade	Posts funded by United Nations Headquarters	Other posts included in UNRWA's budget
Professional and above		
USG	1	0
ASG	1	0
D-2	1	2
D-1	10	0
P-5	16	11
P-4	36	25
P-3	15	10
P-2/P-1	2	6
Subtotal	82	54
General Service and others		
Principal level	0	0
Other level	10	6
Subtotal	10	6
Total	92[a]	60[b]

[a] Effective 1 January 1998, the total number of posts that will be funded by United Nations Headquarters will be reduced to 84.

[b] The 60 posts include 12 project posts funded by specially earmarked contributions, 6 junior professional officers funded by Governments, 2 posts funded by WHO and 4 posts funded by UNESCO.